

HEARING OF THE SENATE FOREIGN RELATIONS COMMITTEE
■SUBJECT: IMPLEMENTING SMART POWER: SETTING AN
AGENDA FOR NATIONAL SECURITY REFORM

■CHAIRMAN: SENATOR JOSEPH R. BIDEN (D-DE)

■WITNESSES: PANEL I RICHARD ARMITAGE, PRESIDENT,
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EMERITUS, JOHN F. KENNEDY SCHOOL OF GOVERNMENT,
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SEN. BIDEN: We will be getting under way -- no chairman should -- by apologizing for our tardiness, and I thank the indulgence from my colleagues.

The train that I take down every morning gets in here at about 10 of 9:00. The problem is the train ahead of us had a run-in with a pedestrian and apparently killed a pedestrian, or a pedestrian walking the track, so they shut down the track for a little bit to do an investigation. So I sincerely apologize for the -- for my tardiness.

Today the Committee on Foreign Relations holds a second in the series of what's going to be more than one of a series of hearings on "smart" power. It's part of a larger effort to re-examine our nation's foreign policy and present a new vision for policymakers.

As the current administration ends, we face a multitude of new challenges: the emergence of China and India as major economic powers; the resurgence of Russia, floating in a sea of oil revenue; a unifying Europe that has its own problems; and the spread of dangerous weapons and lethal disease; the shortage of secure sources of energy, water and, as witnessed by rioting in several countries in the last week, even food; the impact of climate change; the rising wealth and persistent poverty worldwide; as a technological revolution that sends people, ideas and money around the

globe, around the planet at ever- faster speeds, and the challenges to a nation-state from ethnic and sectarian strife that I suspect none of us think is going to end today; the struggle between modernity and extremism.

This is a short list of the forces shaping the 21st century. These challenges raise the question, do we have the right non-military instruments, the right institutions and the right relationships among those institutions to deal with the new threats and opportunities to address these and other challenges?

I want to make it clear that I'm not pessimistic about this. I think this presents us a significant opportunity as well, but I think we have to think differently than we have.

In the committee's last hearing on smart power we posed these questions to two of the finest military officers that we have had: General Tony Zinni and Admiral Leighton Smith. Their responding answer was no, we're not ready -- we're not ready yet.

As commanders in the field have told us, the military lacks the adequate civilian counterpart in Iraq and Afghanistan to effectively help reconstruction of those societies. The national security planning process is fragmented and disjointed. The resources we allocate to non-military tools do not match the challenges we face.

And I want to make it clear: This is not meant by me to be an indictment of this administration, it's a recognition of how much has changed in the world. One of my favorite poets is a guy who always picked on us Irish, but William Butler Yeats, and in a poem called "Easter Sunday, 1960," and you got a line, he said: "The world has changed. It has changed utterly. A terrible beauty's been born." Well, I think the world has changed utterly, and the question is whether we turn this change into something that can be beautiful or is going to be terrible.

We're here today to seek a path to reform. Today's hearing will focus on implementing smart power. That is the skillful use of all our resources, both non-military as well as military, to promote our national interests.

Our first two witnesses are well placed to help us in this inquiry. Doctor Nye first coined the term "soft power." Dr. Nye beginning in the late '80s -- to describe the ability of a country's culture, political ideals and policies to

influence and persuade others. After all, it's not leadership if no one's following.

Dr. Nye is joined by Secretary Armitage, his co-chair on the CSIS Commission on Smart Power. I always hurt the secretary's reputation by saying of all the people I've worked with in 35 years, he was the straightest-talking, most direct and most honest with me and a person I have great regard for. Secretary Armitage has an equally distinguished public service career, most recently serving as deputy secretary of State.

As Secretary Armitage wrote with Dr. Nye in the recent op-ed in The Washington Post, quote: "The world is dissatisfied with American leadership. The past six years have demonstrated that hard power alone cannot secure our nation's long-term goals."

I look forward to this hearing, to hearing some of the answers to these critical questions, and those questions that I'm going to be looking to, Mr. Chairman, are, first, do we have the right instruments to effectively address these 21st century challenges? Do we have the right people and resources to tackle critical global challenges?

Second, do we have the right institutions? Is our national security system, largely shaped during the Cold War era, up to the larger task we face today?

And third, do we have the right relationships among our institutions to achieve national security objectives? Is there a need to restructure the interagency system, and if so, how?

Our second panel's going to bring us two preeminent thinkers on our national security system. Jim Locher was the lead staff person in the Senate over two decades ago, devising the original Goldwater- Nichols legislation that reorganized the military services. He's currently leading a broad effort on national security reform.

And Gordon Adams is a former senior national security official at the Office of Management and Budget who has written extensively on national security budgeting, resources allocation and capacity- building.

I think we have the right people here to guide this debate and to help us define these issues and to begin to search for the right answers, so I look

forward to hearing from them all. But before I recognize our first panel, let me yield to Chairman Lugar.

SEN. RICHARD G. LUGAR (R-IN): Well, thank you very much, Mr. Chairman. I congratulate you on initiating these hearings on smart power as a very important issue of our committee, a very timely one, and I join you in welcoming two good friends to the committee once again this morning.

During their distinguished careers, Secretary Armitage and Professor Nye have rendered outstanding service to our country and we look forward once again to having the benefit of their experience and their analysis.

During the last five years, the Senate Foreign Relations Committee has focused much attention on how we can improve our diplomatic and foreign assistance capabilities and integrate them more effectively with the military components of national power. Since the year 2003, we have been advocating through hearings and legislation the establishment of a civilian counterpart to the military in post- conflict situations.

We've argued for a rapidly deployable civilian corps that is trained to work with the military on stabilization and reconstruction missions in hostile environments and I'm very pleased that the Bush administration is requesting \$248.6 million for the Civilian Stabilization Initiative.

Creating and sustaining this civilian capacity is precisely the intent of the Lugar-Biden-Hagel legislation that passed the Senate in 2006 and passed this committee again last March. Increasing the capacity of civilian agencies and integrating them with our military power is essential if we are to be ready for the next close conflict mission.

In the absence of a strong civilian partner, largely due to the lack of resources, the role of the Defense Department in stabilization and reconstruction, foreign assistance and public information programs has grown. Its new role included increased funding, new authorities and new platforms such as AFRICOM.

To the extent that we are not effectively coordinating our civilian and military components, the result is that the Pentagon and the State Department are unable to benefit from the expertise and the activities of the other. It is clear that the United States government is paying insufficient attention to fundamental questions about whether we are building national

security capabilities that can address the threats and challenges we are most likely to encounter in the future.

Although our defense, foreign affairs, homeland security, intelligence, energy budgets are carefully examined from the incremental perspective of where they were in the previous year, our budget process gives neither Congress nor the executive branch the ability to adequately evaluate whether the money flowing to these areas represents the proper mix for the 21st century.

In the process, funding for diplomacy and foreign assistance persistently falls short. These findings were confirmed by two Senate Foreign Relations Committee staff studies. The 2006 study entitled, quote, "Embassies as Command Posts in the Campaign Against Terror," end of quote, documented the increase in security, development and humanitarian assistance being administered by the Pentagon.

The report recommended that all security assistance, including Section 1206, be included under the secretary of State's authority in a new coordination process for rationalizing and prioritizing foreign assistance.

A second study in 2007 entitled, quote, "Embassies Grapple to Guide Foreign Aid," end quote, focused more broadly on U.S. foreign assistance efforts that are managed by all government entities. It recommended that a comprehensive foreign assistance strategy be linked to our actual foreign aid spending and that the State Department's director of foreign assistance be responsible for all government agencies' foreign aid programs.

While defense agencies have been granted authority to step into the often-empty space where we expect civilian agencies to be, the military is ill-suited to operate foreign assistance and public information programs. The far more rational approach would be to give the State Department and USAID the resources they need to carry out what clearly are civilian missions.

This view was echoed by Defense Secretary Gates in a number of recent speeches, where he pointed out that the total foreign affairs budget requested for 2009 is roughly equivalent to what the Pentagon spends on health care alone.

We must adjust our civilian foreign policy capability to deal with a dynamic world where national security threats are increasingly based on non-military factors. I would underscore that although military and civilian capabilities are severely out of balance, the United States must do more than simply add funds to the foreign affairs budget. We must build our diplomatic capabilities in the areas of greatest consequence, paying particular attention to international, economic and energy policy.

I was pleased to see that the smart power report identifies energy security as an important component of U.S. global leadership. I would appreciate hearing more from our witnesses about how the United States can create a global consensus on energy policies and practices.

We should ask whether the State Department and other federal agencies have the resources and the expertise to effectively function in a world where power is being wielded through energy relationships and other rapidly evolving economic mechanisms such as sovereign wealth funds.

We must also examine what structural reforms are necessary to integrate military and civilian power to achieve U.S. national security objectives. I appreciate this opportunity to explore with both panels how we can achieve an integrated foreign policy strategy.

I thank you, Mr. Chairman.

SEN. BIDEN: Thank you very much.

Gentlemen, if you would deliver your testimony in the order you've been called -- starting with you, Mr. Secretary, and then you, Professor Nye.

MR. ARMITAGE: Thank you, Mr. Chairman, Mr. Lugar, senators.

I've said before up here that I realize that your patience is in inverse proportion to the length of our opening statements, so I'm going to do a very short opening statement and turn it over to Dr. Nye, who'll do the same. I'm kind of the micro guy; he'll be the macro thinker.

Let me tell you how we got here, Mr. Chairman. After 9/11, in our view
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SEN. BIDEN: As Jim Eastland said, because we invited you, right? (Laughter.) I'm only joking.

MR. ARMITAGE: Well, in addition to that.

SEN. BIDEN: I have to explain that Jim Eastland once said to me -- I went down to campaign for him in Mississippi to prove that he wasn't old, I was a young guy. And he had a bunch of judges. They all got up honoring him, saying they were appointed by Eisenhower and Nixon, it went on and on. He stood up and said "You all know why you're judges, don't you?" And they all looked at him. He said, "Because Jim Eastland said so." (Laughter.) So I was only joking. I was only joking.

MR. ARMITAGE: Well, in addition to that, Mr. Chairman --

MR. : The good old days.

MR. ARMITAGE: -- the background of how we had this commission: In the wake of 9/11 it was our view that we were twice victimized: We were victimized by terrorists and then we victimized ourself. We started exporting our fear and our anger rather than our hope and our optimism. We started tying our own hands up.

And we felt, Joe and I, Dr. Hamre at CSIS, that it was about time to sort of re-look this and see if we couldn't "un-victimize" ourselves. A Democrat and a Republican, joined by Senator Hagel, Senator Reed of Rhode Island, Betty McCollum and Mac Thornberry wanted to make a very graphic point: Not only did we recognize that we needed to do something differently, but we could do this in a bipartisan way and a bipartisan spirit, and every one of us was motivated, I think, by the following thought: that is, that we have dedicated our lives to prolonging and preserving our preeminence as a nation as a force for good as long as humanly possible.

We also, I think, all recognize that we have the premier military in the world, and they fight and win the nation's battles. And they're ideally suited to fight an enemy on the battlefield; they're not ideally suited to fight ideas or climate change or to guarantee energy security, et cetera.

We're often asked by members of Congress, at the end of the day, aren't you going to be talking about more appropriations, more money for foreign aid that's so unpopular? Our view is this is not foreign aid, this is not charity;

this is a cold calculation of our national security, and that's the way it ought to be put forward by witnesses today and, I would argue, by members of the U.S. Congress.

We take the view that the world wants an indispensable nation, and we're that indispensable nation. But we can only occupy that space when our national values and our words and our actions are in line. We can't stand against torture and then waterboard. You can't do it. We can't be an indispensable nation that way.

We do take -- we want to be, without being too maudlin about it, that shining city on the hill that Mr. Reagan used to talk about. That should be the image of this country, not the image of Abu Ghraib and Guantanamo Bay. That's kind of where we started on this endeavor.

And we took a look, Mr. Chairman, at public diplomacy, and I think there's a real misunderstanding about public diplomacy. It seems in some quarters that there's a feeling that public diplomacy is just a matter of speaking more loudly, getting people to understand it. So that's not the problem; there's not a person in this world that doesn't understand exactly where the United States is coming from. The question they have is whether we understand them, and I think that's a good place to begin in public diplomacy.

Now as I've indicated, Dr. Nye is going to talk about the specific big ideas we had. The problem with big ideas, as I'm sure our friends Jim Locher and Gordon Adams will tell you, is they take a long time to bring to fruition and it's frustrating. Military actions, you can see almost by the minute; these are by definition long-term projects, so that it's hard to be gratified. But I'm going to give you a couple of short-term issues, if you want to feel gratification, that can help on the way to a longer-term solution.

You know the most effective public diplomacy I've seen? It's been basketball. We sent Georgetown graduates around the world, 46 different countries. They never had a talk about Arab-Israeli peace. They didn't have to talk about anything except growing up black in America and how to balance college sports with college academics, and it was front-page news all around the country, all around the world.

There's a J.D. Walsh right now in basketball, he's a Maryland graduate, he's in India doing the same thing, but he's expanded on the idea. He's using

it also as they teach basketball to have HIV/AIDS testing, to teach courses in nonviolent conflict resolution. He's not talking about Arab-Israeli peace issues or al Qaeda, for that matter, but he's having more effect in diplomacy than you can imagine.

Mr. Hagel, I know, has co-sponsored some legislation, along with Ms. Cantwell, I believe, that would help enormously the coordinator for reconstruction and stability in the State Department to be able to immediately have both a civilian reserve corps and, as Senator Lugar indicated, a Civilian Stabilization Initiative, which would bring reserve officers, if you will, into the civilian component, where we could swarm or flood the zone if we had a problem. We don't have to wait two and three and four years.

You had other ideas -- I think Mr. Hagel's also involved in the reconstruction opportunity zones, which are designated by the president -- Pakistan, Afghanistan and really -- and it targets textiles and things of that nature to make a rapid change in the economy. There are lots of these micro issues, but all of them will take some leadership from this committee and other committees because we have become so risk averse.

And I think the signal that one would need from Capitol Hill is we understand there's a risk, but you have to manage risk; you don't -- can't avert it. And I think that kind of mind-set change, if it can be led from up here, will rather dramatically assist people in the short term to make some rather dramatic actions that can start to change the regions and the troubled areas.

So Dr. Nye?

MR. NYE: Thank you very much, Mr. Chairman, for inviting us to testify here.

I will supplement what Rich Armitage said by giving you what I might call our top 10 list, but there are other things in the report and equally important is the general philosophy. I think as Rich pointed out, it's not that any one of our recommendations is so brilliant or wonderful; I suspect we don't have the answer. But the fact that we were able to assemble a distinguished group of Republicans and Democrats in a political year to rise above the partisan level and to identify a number of things which we could agree on, that in itself was interesting.

There's a famous phrase of Samuel Johnson's about the remarkable thing about a dog walking on its hind legs is not that it does it well but that it does it at all, and so we're not claiming that this report has all the answers. But the fact that we were able to get a bipartisan agreement on the kinds of things I'm about to mention to you I think is a healthy sign.

But it's also a sign of the need to make changes, that we have an enormous capacity in this country and in this government which we are underutilizing. Essentially, if smart power is the ability to combine the instruments of hard and soft power into a successful strategy, we did that in the Cold War. We deterred Soviet aggression with our hard military power, but we ate away belief in Soviet ideas behind the Iron Curtain with our soft power so that when the Berlin Wall eventually went down, it went down not under an artillery barrage but under hammers and bulldozers. We need to recover that capacity to basically project hope, not fear, as Rich said, and also to integrate the multiple instruments that we have into one effective strategy.

Here is a list of 10 that I, as I said -- it's not the -- 10 is not a magic number and we're open to argument on many of the things on the list, but at least it does have a bipartisan backing.

First on our list was that the next president should create a deputy national security adviser who's double-hatted as a deputy at the Office of Management and Budget, because the various tools that are available to the government are spread among multiple agencies and bureaus and the national security adviser is too swept up in the urgent challenge of unfolding crises to be able to develop a strategy for this.

We argue this smart power deputy would be charged with developing and managing a strategic framework for planning policies and allocating resources, working closely with relevant congressional committees. This should probably lead a process parallel to the QDR but for the civilian tools of national power.

In some ways, the plans that General Eisenhower, then President Eisenhower, had in place through the NAC when he ran it I think was a good precedent, and it's a pity that they were scrapped by President Kennedy.

Second on our list is the next administration should request and Congress should resource a personnel float for civilian agencies that allows

for increased training and professional development. Department of Defense can budget 10 percent more military officers and their jobs for operational assignments, but the civilian agencies don't have that capacity.

The result is you don't have the training in leadership and skills in the civilian agencies that you do in the Defense Department. We also recommended that same idea, that the number of Foreign Service personnel serving the Department of State should be increased by more than a thousand.

Third, the next administration should strengthen civilian agency coordination and expeditionary presence on a regional basis.

This is something your committee has already done a good deal of important work on. But it's interesting that if we look at the fact that so much is happening in the world at a regional level, we really do not have a regional command structure comparable for the civilian agencies to that the Department of Defense has. And as a result of this, we prevent the development of regional strategies that integrate interagency operations on a regional basis.

The next president, we argue, should empower the senior State Department ambassadors, known as political adviser or POLADs, assigned to advise regional military commanders a dual authority to head a regional interagency consultation council comprising representatives from other federal agencies that have field operations in those regions, and Congress and OMB should work closely with State to make sure that resources are available for that.

We also mentioned that we think the next administration should make sure that we fund the increases in the number of civilian personnel able to participate in regional expeditionary missions, such as the Civilian Stabilization Initiative.

Fourth, the next administration should strengthen America's commitment to a new multilateralism. We see America's alliances as force multipliers, and we believe that the U.N., while it has problems, is still an important instrument of American foreign policy, particularly in areas like peacekeeping, peace-building, counterterrorism, global health, energy and climate.

We also believe, though, that we need to supplement the existing structure by developing new structures. For example, the G-8 could be expanded to a G-12 or 13, which would be much easier than trying to reform the U.N. Security Council, which has proven to be very difficult to do, and a group like this could serve as an executive committee which could then bring actions back to the U.N. in a larger framework.

Fifth, we argue that the next administration should elevate and unify its approach to development by creating a Cabinet-level voice. Notice we said voice, not department. In our commission, we went back and forth on this question of creating a total new department, such as the British DFID, as it's called. We didn't come down in favor of that, but we did feel that there was an extraordinary disaggregation of assistance in the U.S. system today and that there was a need for some form of coordination and a voice at the Cabinet level to try to pull this together. There are various ways that could be done.

Our colleague Gordon Adams, who we will hear from later, has made some interesting suggestions here about how the "F function" could be wrapped into an operational deputy in the State Department. But the main point was we felt that it was important to have a voice at that level coordinating assistance and that that was more important than a department, as such.

Six, the next administration and Congress should encourage greater autonomy, coherence and effectiveness for U.S. public diplomacy. We didn't come out in favor of reviving USIA, but it would not be a bad idea. There is a difficulty with the current structure for public diplomacy.

The next administration has to strengthen the resource commitment to public diplomacy, but they also have to look at the fact that a great deal of American soft power is generated by our civil society. It's the Gates Foundation, the American Higher Education -- these are sort of the -- Hollywood -- these are sources of American attractiveness around the world.

Edward R. Murrow in his time as the head of USIA during the Kennedy period said that in public diplomacy the most important part is what he called the last three feet, that face-to-face communication in which you have two-way communication, in which we learn and listen as well as speak,

which means that we should be investing more resources in broadcasting but far more important is to get stronger public exchange programs.

For example, we recommend doubling the size of the Fulbright program and we're quite taken by the idea that our colleague David Abshire has suggested of a foundation for international understanding, which though modest in cost would do a great deal to provide access for youth around the world to American ideas.

Seventh, the next administration should shape an economy flexible and competitive enough to deliver economic benefits while minimizing the human cost of adjusting to change. International trade is a difficult issue in an election year in any democracy, including this one, but we do remain of the view that it is an international public good which if this country doesn't help preserve it, the world will be worse for it, hence will we.

But while we have a consensus that within the WTO we need to develop free trade agreements, we also realize that the benefits of trade are not evenly distributed and that to be able to provide this international public good the next administration will have to work to reform trade adjustment assistance, perhaps looking at issues like wage insurance to facilitate the re-entry of American workers who've lost jobs.

Eighth on our list, the next administration and Congress must make addressing climate change and energy insecurity more than just a political catchphrase. There we feel that we're going to need to develop a set of rules and costs associated with carbon dioxide emissions which could have disruptive implications for trade, energy security and competitiveness and economic growth unless they are carefully worked out. This is going to take work with Congress to place an economic value of greenhouse gas emissions via a mechanism that sends out clear, long-term price signals for industry.

International collaboration is going to be crucial here. One area where China has passed the United States as a superpower is in the production of greenhouse gases. This year, they produced more, not per capita but totally, than we do. You cannot think of how to solve this by traditional means. Obviously, we're not going to bomb Chinese coal-burning plants, and if we put sanctions on we're going to destroy the trade system.

We're going to have to find ways to provide incentives for Chinese who are building coal-fired plants with dirty technology to have a market

incentive to pretty clean coal technologies. That means that we're going to have to look at issues of international collaboration here, and perhaps one idea we suggested is the Department of Energy, in partnership with major companies, could establish a 10-year endowment for funding energy and technology-related research and that an international consortium of the NSF and equivalents could disperse grants through peer review process to researchers in different countries. This might also be supplemented by some sort of a facility at the World Bank.

Ninth on our list, American leaders ought to eliminate the symbols that have come to represent the image of an intolerant, abusive, unjust America and use our diplomatic power for positive ends. As Rich has already said, Guantanamo Bay and Abu Ghraib consumed a great deal of our soft power. There are things we can do that are not easily done but which are important, where we can begin the closing of Guantanamo, and I think the effective American action internationally is going to require removing those symbols as well as maintaining and restoring our capacity as a mediator on issues of global conflicts, including the Arab-Palestinian conflict.

Tenth and finally, the next administration should not fall into a new cold war struggle to compete with and contain Chinese soft power. China's soft power is likely to continue to grow, but this does not necessarily mean that Washington and Beijing are on a collision course. The next president should seek to identify areas of mutual interest between the United States and China in which the two powers can work together on a smart power agenda.

Energy, security and environmental stewardship top that list, in our view, as well as transnational issues such as public health and nonproliferation. Global leadership does not have to be a zero-sum game.

This is a short version of a longer report. I apologize for what we've left out, but we could perhaps answer some of those issues and questions.

Thank you, Mr. Chairman.

SEN. BIDEN: Thank you very much.

We'll do seven-minute rounds?

Gentlemen, there's so much to ask you about, and the report was, I think, very good -- in some cases provocative in the minds of some of my colleagues, but I think pretty straightforward.

Let me get right -- I just attended for the first time in a long time -- I used to do it all the time -- a conference that was held in Europe, in France, this weekend with a number of prominent EU representatives and thinkers, like you gentlemen. And we discussed over two days a whole range of issues, many of which you've referenced here.

And although I knew what I'm about to say, it struck me in a way it hadn't before how fundamental to every one of the problems and every one of the opportunities we face, at least in that context, of the West -- Europe and the United States -- relates to energy.

And I've been, like everyone here in this body, spending a great deal of time over the last decade trying to learn a great deal more about possible solutions, alternatives, international mechanisms by which we can deal with, as was pointed out, China's building one new coal-fired plant per week to Germany now has announced it's moving from -- because of, I assume, Russia -- moving to coal in a way that is a complete reversal of what was going on.

And I have, like we all do here, as you well know, we have some really, really qualified staff members up here on the Hill, some of the brightest people in the country who are underpaid and overworked but really very, very good.

And I reached a conclusion that I'd like you to comment on, that I don't know how we can deal incrementally any longer with these issues, whether it's cap and trade -- which is not going to have any net impact, in my view, worldwide; it may here in the United States have a benefit -- whether it is, you know, moving to 30, 40, 50 miles a gallon to our automobiles, if we're able to do that. It has an impact, but it does not have a profound impact on the world, it does not lessen the immense influence of some of the bad actors internationally.

I mean, and I would characterize -- I don't want to be provocative, but I would characterize Putin as a pretty bad actor, not an evil but not a positive influence these days in the world. His ability to -- Russia's ability to engage

in a kind of use of force, in this case, economic force, would be nonexistent were they not floating in this sea of oil revenues.

And so I don't know, did you all discuss whether or not all or any of the incremental suggestions are energy are able to get us to a place we have to get much more rapidly than the projections will get us there? For example, 20 percent of our energy being renewable by the year 2020 -- that's a drop in the bucket. That's not going to in any way impact on our dependence and the world's dependence on Russian oil, Mideast oil, what's going on in Iran, Iraq, et cetera.

And it seems to me we need to just think -- I mean, in a gigantic way, we all use the phrase we need a Manhattan Project. It seems to me there's a need for the ultimately new new thing, and we should be investing tens of billions of dollars into pure and applied research, taking chances on -- you talk about taking chances, risks -- taking risks on really genuinely innovative ideas that could, if they work, catapult us to a place that may get us somewhere in the next 10 years that we're not going to otherwise get for another 50 years.

And an old expression -- I think it was attributable to one of the famous economists -- in the long run, we're all going to be dead. I don't know what the heck we're going to do unless we get a significantly -- a significant breakthrough on energy policy and alternative energy sources.

I've spent five of my seven minutes here talking, but I'd like you to just respond to that, to put it in your phrase, Mr. Secretary, that macro comment. How do we approach this issue? Can we continue to do it by this piecemeal, incremental method that seems, I think, looking down on consumption patterns, will have virtually no discernable impact on our national security and foreign policy in the next decade?

MR. ARMITAGE: Thank you, Mr. Chairman.

Look, I'm not the genius on this, but I've got strong views and we did discuss this. The first rule of holes is when you're in one, stop digging. You're -- we're in a hole and we're still digging. Whether we talk about ethanol -- the amount of corn to make a gallon of ethanol would probably feed a poor family for a month, and it's not making that big a difference in terms of our energy needs.

We've fooled ourselves for 30 years since the time of President Carter by talking about energy independence. It's not going to happen. So anybody -- politician or public figure that talks about energy independence, you've got to dial them off right away. You can't get there.

You're absolutely correct in my view that a holistic approach is necessary, and that's not just the search for the magic bullet. If we had the magic bullet in technology, the United States, which has 85 percent of the world's coal reserves, would be sitting pretty good. We wouldn't be having problems in Appalachia, I'll tell you that. But a magic bullet is probably not going to happen. There'll be some incremental changes.

We've also -- and if you look at it holistically, we have to look at our own rapid transit. We've known these problems were coming. Look, coming in today, I was almost late for the hearing because of the traffic here.

So I think you're absolutely right that a holistic approach has to be the way to do it, but we cannot depend on the magic bullet. And I'm sorry to bring up the dirty word, but we're also going to have to massively and quickly get nuclear. Now we've had the first license request here recently granted, and that's good. But we're going to have to really look at all these issues and start talking straight about it.

But beyond that, Joe?

MR. NYE: Well, I agree with Rich. The danger is that we use the slogan energy independence; we've been using it for 30 years.

SEN. BIDEN: I'm not using it.

MR. NYE: No, I'm not saying you did, sir, but I just think we as a country have used this, and it diverts us from what we really need to do. I think the first thing we need to do is make sure that you do not interfere with the proper signals that markets give. Market prices make a difference.

When we saw the '70s crisis in energy, it's interesting that we cut our energy intensity in half as a result of reactions to market prices. Second thing is we ought to distinguish between the input and the output side. Our energy problem is getting energy securely, but there's also an output side. If we got all the energy we wanted and put it up in the atmosphere afterwards, then what do we do? So there are two parts to this.

The third is essentially --

SEN. BIDEN: But if I can, Joe, if I could interrupt you there: You are operating on the premise that we operate around here, that the only energy we're talking about is fossil fuel. That's my problem.

MR. NYE: Right.

SEN. BIDEN: My problem with you, my problem with everybody out there. I'm not being facetious. That's my problem. If you continue to discuss this within the context of the available fuel supplies, the type of supplies available, which are basically fossil fuels, there is no way out --no way out, in my view.

So the question is, when we make calculations based on price -- and I'll end with this, gentlemen -- if we make calculations based on price because a market-driven approach is consequential, but should we not be calculating the cost of our CENTCOM force as part of the cost of energy, as we talked about?

Should we not be -- and it's real -- how can we disassociate the cost a company, our dependence, as well as the ability of the bad actors in the world to take actions that have caused us to spend tens of billions of dollars to counter the actions which they would not be able to take were they not in the position of this vast economic power?

I think we need a whole new calculus; that's really my question.

I think we think much too small here. Everybody, all the experts that come before us, nobody has come before us and said hey, look, while we are walking, we should be able to chew gum, too. We can walk and do all the things that have to be done that can incrementally bring down both in terms of input and output -- deal with it, whether it's ethanol or whether it's other things.

But in the meantime, the resources we have -- for example, let's just make this up. Let's assume -- this is heretical, I'm about to say -- let's assume that we could come up with, you know, a -- it would cost us the equivalent of \$250 a barrel of oil in Btu output. Assume we could come up with hydrogen power, but it would cost that much. It seems to me we've got to start recalculating here.

Is \$250 a barrel really, really that much more costly than \$117 or \$(1)18 a barrel if, in fact, the consequence of that is to radically change the environ (sic) in which we operate, allowing us to radically reduce the investments we're making, both military and otherwise, and the opportunity costs that exist for us?

So I mean, we don't talk that way. We talk like we are the owner of energy companies or we're the guy sitting there with our pocket but we're doing arithmetic and not algebra or calculus, is my point.

MR. NYE: Well, I agree with that. We have a study at Harvard called "Energy and Security" in which my colleague Bill Hogan said as you calculate prices you have to put in a wedge for security. In other words, a good economic calculus has to say what are the hidden costs, which is what you were just saying.

But I think the general feeling is what you're suggesting is right to get us out of where we are. We need to diversify sources and diversify energy sources and fuels. But I was saying, and I think this is the point that Rich was making as well, it's not going to happen right away, and we've got to ask what's our security until we get there.

And in that sense, I think we want to be looking at questions like take your Russian case, working with the Europeans to make sure the Trans-Caspian Pipeline is built. We also want to be -- the Chinese case that you mentioned, we want to bring China into the International Energy Agency, and particularly into a climate regime of some sort.

I think another thing that would be useful is to set a floor. In other words, we now are all complaining about oil prices at \$120. Suppose we said we will pass by legislation something in which oil prices will not fall below \$60. That would call forth a lot of this technological investment, investors who have seen this happen in the past, where prices shot up and then fell down again. They would know that if it goes through a cycle like that again, their investment is secure.

So there are a lot of things we can do in addition to the things we're doing in the Department of Energy of developing new technologies which we could start down that path that you're talking about.

SEN. BIDEN: Thank you very much.

Just imagine if we were engaged in a joint venture with China on sequestration. They don't want to pollute their environment.

MR. NYE: I think carbon sequestration has got to be one of the major efforts today.

SEN. BIDEN: Just giving you that as an example. I'm way over my time. I apologize.

Senator?

SEN. LUGAR: Well, thank you very much, Mr. Chairman.

I think the question and answer that you've evoked really is the purpose of this hearing to try to come to grips. Our panelists have given us an excellent report, and Professor Nye, 10 points from that report, which are all stimulating.

I just want to, first of all, in a nostalgic way pay tribute to Secretary Armitage. He and Secretary Wolfowitz, when they were much more junior in the State Department in 1985, came before the committee the first year that I became chairman to talk about the Philippines. It was entirely out of the blue, and their testimony was highly provocative as they described Marcos and the Philippines at that point. I would say that led to a change in United States foreign policy, without going through the next year and all the ups and downs of the thing, in which President Reagan came forward with a thought that we will oppose authoritarianism of the right in addition to totalitarianism of the left, both, and sort of the beginning of a democracy movement which was a new doctrine and markedly different in one year than anything he had proposed in election campaigns or other things. And it came really from provocative experience in that situation.

I remember likewise Professor Nye and Professor Graham Allison coming before the committee in later years talking about arms control among other things. We moved along the trail there with, as the chairman will recall, President Reagan appointing arms control observer groups. Things did not move along nearly so rapidly as all of us had hoped through the Reagan administration or through the Bush administration, but in due course we came to some remarkable agreements. And so the doctrine of mutually assured destruction was really replaced by something that was

good and it was more, not necessarily benign, but more practical in terms of arms destruction, better control and so forth.

And that's why these exercises are so critically important because historically they make a big difference in the history of our country as well as in the prospects for peace overall.

Now, I pick up from your report that today these elements, although they're emphasized in different ways -- we've discussed energy and the environment for a moment and I want to get back to that but I would add to the situation -- now you've touched upon this, Mr. Armitage -- food supplies. You know, for the moment, why, we're getting reports of 25 countries with potential political instability. That may not be the half of it because essentially many people in the world are eating a whole lot better -- beef as opposed -- or pork as opposed to rice, but there isn't as much to go around, and therefore the differentials, even within countries as well as the rest of the world, are growing. It's exacerbated by the debate that you've suggested, Mr. Chairman, is about ethanol or soy diesel or (to augment ?) food, now energy.

But these are sort of trivial pursuits in comparison to the real dilemma that here you have a whole world that is demanding more energy and more food, in fact, more everything. And these are huge issues that really go beyond specific conflicts -- and things our committee becomes understandably involved in day by day -- and sort of undermine the whole situation. Clearly, energy touches upon the environment in one way or another, about every way you look at it, but I would also add we've had good testimony in the past about avian flu or potential pandemics, other worldwide situations we've been spared this thus far. But I've heard testimony that, for example, if avian flu came to the United States the real dilemma even here would be food supplies ultimately as opposed to people actually dying from the disease -- in other words, the disruption of our economy, disruption of the ways in which we provide for ourselves, that come as society breaks up in these ways.

Now, the point of all of this is to say that the chairman's call for a smart power series and testimony that you're to bring is that we're not very well organized as a country to meet these objectives. We have interesting hearings and philosophically share these things and in a bipartisan way you have made these issues especially available in an election year, which is really important, but I'm hopeful that you can suggest -- and even more

broadly, as you get into it or make suggestions today -- how do we reorganize our government beyond double-hatting various people or, as we've been modestly suggesting, have a bigger civilian component so that our soldiers don't have to do everything? Or how do we get into a budgeting situation where we don't just incrementally say this department gets 3 percent more this year and this 4, but we're not really clear that either one of them are pretty relevant to the thing because we haven't thought through what department X or whatever this organization is and it's hard to do in the course of the budget process, the appropriation, the politics of all this.

Just, either one of you, just in the moment or so that's left, describe -- a president will not be able to discuss all this or even begin to get it in a campaign, but somebody's going to get elected.

Now, when that happens, what abilities does the president have if he or she is very visionary to organize people, to organize -- reorganize -- our government?

Granted, the Congress has checks and balances and so does everybody else and the vested interests that are there, but physically, how do you go about doing this rather than insinuating these ideas into a bureaucracy or a government that doesn't work very well?

Mr. Armitage?

MR. ARMITAGE: Senator, could I add if I may to this -- the food supply, et cetera -- the following thought and then I'll answer -- try to answer -- your question?

It's ironic, isn't it, that we're in the period of the greatest wealth creation ever seen in the world right now and yet it's distributed so unequally, and we have more people who are without than ever before, first of all. And the reason for the food problems, which are not limited to other nations -- I saw Sam's Club is rationing bags of rice now in our country; coffee went up a dime, by the way, this morning, I noticed, at the 7-Eleven -- so this is going to soon cut everybody.

But add to that list fresh water --

SEN. LUGAR: Water.

MR. ARMITAGE: -- because it may be actually more imminent than -- the problem of fresh water is more imminent than the need for us to get a handle on the fossil fuels.

And I don't believe, sir, that your comments are heresy. It's just the difficulty of putting a value on climate change damage and you might extend it to the military. At some point in time if we continue fossil fuel dependence and it continues to rise, we're going to have a conflict between our civilian needs and our military needs. It's going to happen. The budget will -- the money will make it so.

The president has not much, I think, beyond the bully pulpit to reorganize, but he's got one thing he can do -- and you have a big part in this -- and that is to demand competency and have accountability, competency in those who people the administration.

Now, we have a line in our report that says that we're in danger of being seen as not competent. I was told in Saudi Arabia that for the first time people were questioning our basic competency. And I thought they were going to then talk about Iraq, but no, they were talking about Katrina -- Katrina. So the one thing the president can do is -- and you have a say in -- is to have competent people and demand accountability.

You know, leadership in my view is not just about having a vision. You have to have that. That's openers. It's like a pair of jacks in poker. But you've got to have execution and accountability. Those are three things the president can do.

SEN. LUGAR: Do you have the --

MR. NYE: Can I just add a point on the reorganization question because once the president is elected it's going to be tight in terms of the agenda of things that he or she will have to be dealing with.

But there are some of the things that we recommended which actually can be done without legislation, without creating new departments and so forth. Now, obviously a wise president will consult with the Congress before doing it, but something like this dual-hatted deputy NSC adviser doesn't require a lot of legislation. It may require some consultation.

The danger of doing things which require a lot of reorganization is that you wind up using a lot of your political capital and your time on things that take a long time. Some of the things we recommended actually can be done relatively quickly. You could do those things, indeed start planning for them right after the election in November. You should then start a group to work on larger questions which you might be able to get through after something changes in the larger conditions.

Unfortunately, we tend to respond after crises. And if we don't have a good plan of what to do after a crisis, we have a bad plan which is immediately generated. I will volunteer the perhaps unpopular view that in creating the Department of Homeland Security and the DNI, what we did was respond with an inadequate plan after crises.

And what we can be doing is the types of things we're suggesting in our testimony today, which should be done quickly, and then longer-term changes being ready for when the climate is such that you could get them through rather than doing the ad hoc improvisation that we've seen.

There's a difference between reform and reorganization. We have, I think, spent much of the time in the last few years reorganizing in response to crises rather than really reforming the process.

SEN. BIDEN: I'll just make one brief comment to Senator Lugar.

In 35 years of being a senator, I don't think the country has ever been riper for fundamental reform. The country, the politics -- I don't think it's ever been riper.

If the president doesn't hit the ground knowing what he or she wants to do, the idea of a long-term study group to do it, it ain't going to happen in my view. That's just the politician in me.

SEN. BILL NELSON (D-FL): Reform not reorganization. Don't just rearrange the deck chairs.

In your presentation you say, quote: "We need stronger civilian instruments to fight al Qaeda's ideas, slow climate change, foster good governance and prevent deadly viruses from reaching our shores. The uncomfortable truth is that an extra dollar spent on hard power today will not necessarily bring an extra dollar's worth of security."

The United States Southern Command is starting to move in that direction, and that seems to be the whole idea of the U.S. African Command. And yet we have these bureaucratic logjams and one of the things that you have given an opinion of today is your concern about -- that the military may dominate too much the need of the civilians to step forward.

You want to give us some suggestions? And I'm right in the middle of this on another committee of mine.

MR. ARMITAGE: Yes, sir. You're absolutely correct. Admiral Stavridis in the Southern Command is moving on it. He was very congratulatory about this particular report because he sees it's going the direction he was already heading. And he's in an economy of force theater, so he needs these other tools. He wants us to have a lot of tools in our tool kit.

Let me make a comment on something that Senator Lugar referred to because it gets at this. We, all of us I think at one time or another, have decried the fact that our military is run hard and put away wet. And they're asked to do all sorts of things that probably they didn't realize they were going to do when they first signed up -- 1206 authority, they have global train and equip is one of those. I fought against giving this to the Department of Defense, not because they're not competent but because it detracts from their basic duty of fighting the nation's wars. Further, it is not always the case that a regional CINC -- a regional CINC who has real military needs -- will be sharing the national view of who should be trained and equipped. So I think that we've made a mistake in this 1206, and I would hardly recommend that it come back under the secretary of State's direction.

In terms of the tools, I think both AFRICOM and SOUTHCOM share the economy of force problems, and it's forcing them to be very creative. It's forcing them to depend more on their political POLADs -- the political advisers -- to give them sort of the flavor and the texture of the region. I think this is a very good thing, and it's to be applauded.

Joe?

MR. NYE: Yes, I would agree on that.

I think one of the key questions we ought to be asking is whether we have enough capacity, operational capacity, in civilian agencies. One way of

looking at this is a great deal has migrated in the direction of the Department of Defense simply because it has operational capacity.

So if you look at the increase of foreign assistance that goes through DOD, which has increased quite impressively, it's partly because we don't have enough capacity elsewhere.

And if we have a government which is one operational giant and a lot of pygmies, the net result of this is that we wind up with an overly militarized foreign policy, not because the military is seeking this but because the president, having to turn to an operational agency to get things done, turns to the one that can do it. And until we do more to rebalance that, to create greater capacity in the civilian agencies, we're going to be stuck in this same position.

So I think Admiral Stavridis has done a very good job in SOUTHCOM. I think AFRICOM is a good idea, but there is a question of whether these should be primarily seen as military missions or primarily civilian missions. And I know Jim Locher's going to testify for you later, but some of the thoughts that he's had about having regional civilian structures rather than just regional military structures I think make a lot of sense.

SEN. NELSON: Okay. Thank you, Mr. Chairman.

SEN. CHUCK HAGEL (R-NE): Thank you.

Gentlemen, thank you. I'm, like all here on this panel and I think speaking for Americans in general, are grateful to the two of you and to John Hamre and CSIS and others who participated in this effort. And I was very proud to play a very small part in what you have contributed here to not just a better understanding of what not just the United States and the world faces but coming forward with ideas as to how then we frame up a 21st century structure, strategy, policy, to deal with these issues.

One of the points that you made, Secretary Armitage, about -- diffusion was not your word; it'd be my word -- diffusion of great economic power today in the world, and I would add to that along with that great diffusion of economic power that is probably unprecedented comes tremendous new influences which will dictate the new center of gravity, certainly for the first part of the 21st century in geopolitical relationships.

What we are dealing with -- and you made this very clear -- is a situation probably unprecedented as well in history of having the world's circuits overloaded. Our circuits are overloaded, and we have explored some of these areas today and what -- my colleagues have talked about energy, the environment. And it seems almost that we are in a hole that we don't know how to get out of because of the uncontrollables. There are so many dynamics here now that we can't control, starting with energy. But we are going to have to deal with these issues in a way that probably we've never had to before.

And you also mentioned, both of you, President Eisenhower and the time after World War II, and I've always believed that we are living at a very parallel time to that 10-year period after World War II because in that period of time the leaders in the world essentially restructured the format of the world. They essentially built a new world order. I know some -- my colleagues don't like that term world order, which implies a lot of things, but that's what we are talking about, coalitions of common interest. You mentioned them -- as you did, Professor Nye, in your testimony -- when you talked about the United Nations -- that certainly was a product -- NATO, the EU, World Trade Organization, which then to begin with was General Agreement on -- as you know -- Tariffs and Trade.

And I want to direct my question to that general area of what you started to talk about, some of my colleagues have focused on, how do we better use these alliances and bring these alliances together in a smarter sense of common interest, defining relationships not on our differences but on the basis of our common interests? We'll always have differences, and you've noted that.

And I want to also mention an area that you didn't talk too much about - - you did examine in your report -- NGOs. You both talked a lot about trust and confidence. And Secretary Armitage, you mentioned the Saudi Arabian issue; now there's some significant question about our basic competency. And I noted the Zogby International poll that was released about a week ago which I suspect you all saw -- over 4,000 respondents -- which essentially bottom line says that more than eight out of 10 of the citizens in the Middle East have a very negative opinion about the United States for many reasons.

So it coincides with everything you have noted in your report, but I'd like to take the remaining time I have if you would both address the larger

issue -- which you've touched on to some extent -- how do we use these coalitions of common interest, these alliances, these structures, these relationships, not just to enhance our ability to help lead and our purpose and our focus and our power and our significance, but to start to move toward these real issues of water, of energy, the human condition? Because if we don't get underneath that, then it won't make any difference what we do because the problem will be so big. And we know what the demographics are in the world today -- 6.5 billion people. We're going to get to 9 billion people. Around 40 percent of that 6.5 billion today under the age of 19 years old, all in the troubled areas of the world. We're just not prepared. And I don't think it's just the United States; it's the world.

So if you would take any piece of that, both of you, and respond, I would appreciate it. Thank you.

MR. ARMITAGE: Senator, thank you.

First of all, I don't know that I'll have the opportunity and the honor of appearing before you again, and I want to say as a citizen, thank you for your courage, both in the service -- military service -- and in the U.S. Senate, and for your unwavering voice that cautions us all to, at the end of the day, do the right thing. So thank you.

You're right. The tectonic plates are moving under us and in a way that, I mean, some people would say -- back in the 19th century, when the united Germany rose, that that was the most monumental thing that the world had ever seen. Some would say the same in the 20th century, the rise of the United States. And now people are talking about the redevelopment of China on the world stage is as important as the united Germany or the United States, combined with those -- the energy and the water and the food problems that are all coming at us all at once. So we're not ready for much.

However, it is my observation of alliances, first of all, if we look at alliances as something that's burden sharing -- and that's what alliances are -- that's also to some extent power sharing, and we have to have an understanding of that. It's not my way or the highway just because we're in an alliance and we happen to be the strongest. Burden sharing is power sharing. I think it's a very sensible and healthy way to look at alliances.

And number two, nothing's going to happen very meaningful in the world without us using our alliances to be a forcing function. I don't mean

we force people to come our way, but we force some attention on a problem. We've been able to do that in Asia somewhat on the question of infectious diseases, with Japan and with using Japan as the base from which we move forward. We can do that with NATO, we can do that with others. There has to be someone who stands up and says follow me or here's an idea, if you guys want to take the lead, take it.

Those structures are there. We don't need to reinvent them.

MR. NYE: Yeah, let me make Rich's sentiments about your service bipartisan, Senator.

But in responding to the issue of institutions, I'd mentioned the idea of finding smaller groups that can be effective and then bringing the action in the larger groups. Harlan Cleveland, who I think first coined this phrase, said the problem in international institutions is to get everybody into the act and still get action. And that is why we suggested this idea of broadening out the G-8 to a G-12 or 13. It may be that in these types of ad hoc arrangements we can get smaller groups which actually can get action and then bring them into larger settings. So we need more institutional imagination on that.

But even so, there are existing institutions we can do more with. Let me mention the World Health Organization. Earlier there was a discussion of avian flu. I don't know how many people realize that more people died of avian flu in 1918 than died in all of World War I, and yet think of the money we spent in World War I and think of the money that we actually spend on the World Health Organization. It's in our chart somewhere. It's -- a few hundred million dollars is our share of the budget.

If you said what can we do about avian flu, if we develop a public health system in Cambodia, just to take one example, and get not only a good public health system, good statistics, good laboratories, transnational contacts of doctors so that we get early warning, so that they're better able to cope with this, we're going to do a lot better defending ourselves against avian flu.

So there's an existing organization, which I argue is severely underfunded, so in addition to building new organizations, you could say in the larger perspective of avian flu we ought to be thinking of the World Health Organization in a totally different perspective than we're now thinking about it.

SEN. BIDEN: Thanks very much.

Senator Menendez?

SEN. ROBERT MENENDEZ (D-NJ): Thank you, Mr. Chairman.

Thank you both for your testimony, and I appreciate the full statement that you have here and some of the language that speaks to the issue of soft power and to our overall standing in the world.

You know, when I read elements of it, I don't know if you got to say this in your opening statements because I know that your whole statement was included in the record, but when I read from your statement when you say: "Similarly, when our words do not match our actions, we demean our character and moral standing and diminish our influence. We cannot lecture others about democracy while we back dictators. We cannot denounce torture and waterboarding in other countries and condone it at home. We cannot allow Guantanamo Bay or Abu Ghraib to become symbols of American power." And you go through a whole list. So I appreciate the strength of what you've said here.

And as the subcommittee chair was -- Senator Hagel is our ranking member on that subcommittee that deals with all the foreign assistance. I'm particularly interested in some of your views as that -- how do we better incorporate that as an element of soft power? And over the last several months I know that I've asked AID to come to us with a proposal to build up the human resource capacity at AID but also to look at how we deliver those development services as a critical tool of soft power.

And I see that you've mentioned, Mr. Nye, the whole issue of there should be 1,000 more Foreign Service officers. It seems to me that in the AID capacity, I'm not sure that they have the capacity to deliver what we want them to do.

I'm wondering if you have some insights on that specifically, either one of you.

MR. ARMITAGE: Thank you, Senator. Thank you very much for your comments.

There used to be a fellow up here by the name of Paul Clayman. He's gone out in the private sector now, but he really studied hard about the foreign affairs budget and foreign aid. He used to have what he called a spider web chart, and it showed I think 23 or 24 different agencies who had programs around the world, but they really weren't coordinated -- not through USAID or through the State Department -- and everybody was kind of doing their little thing. So in your investigations, I'd hope you'd look at that, at least not re-plow that ground, because I think there's a lot of data there.

Second, you're exactly right. There is very limited capacity in USAID. And I'm afraid, now this is my personal fear, that if you look at what we did with the development of DNI -- we're going to fight al Qaeda, we need better intelligence, so what do we do? We have a headquarters here in Washington. The fight is out there, wherever over there is. It's not back here in Washington.

So I think USAID does need much more capacity. They need to be encouraged to be much more out in the field and to be much more autonomous. There's a colleague sitting in the back of the room that ran the program for Afghanistan for the U.S. government until recently. He told me a story about a road-building project. He and General Eikenberry and our ambassador in Afghanistan got together, and they decided they'd start a roads initiative in Afghanistan, and it was two years before they could develop it through the appropriations cycle, instead of the \$800 million necessary. The U.S. military had some walk-around money through the CERP funds and they could do smaller versions of those same roads tomorrow.

So my observation is as you rightfully look at capacity building in USAID, I hope you'd also, sir, encourage them to get out there and do it and not be so risk averse but just learn they're going to have to manage risk as they move forward. We're not going to eliminate it.

MR. NYE: Yes, I agree with what Rich said on that. I think I had mentioned earlier the idea of an operational deputy in the State Department to coordinate the fragmented aid. But equally important is finding regional structures where you get more or less peer-to-peer coordination in the field. And so we need both.

SEN. MENENDEZ: You mentioned in your report a Cabinet-level voice for global development. Could you expound upon what -- how does that work? How does the interaction between State, AID -- you know, how do you see a Cabinet-level voice working? It's not a Cabinet member, as I read the report, but it is a voice.

MR. NYE: Well, we deliberately chose the word voice not department because we didn't want to rearrange deck chairs and create a new bureaucracy; we feel that's been one of the problems of our reorganizations. On the other hand, it's true that if you go into a meeting in the Situation Room in the White House and there's nobody at a high level around the table, that set of interests are not well heard. The secretary of State has a lot of other things on her plate at the same time.

If you had an operational deputy in State who could be present any time those issues of assistance and coordination of assistance were discussed, you would have a voice, not a new department, but another voice at the table.

SEN. MENENDEZ: Finally, I look at this issue of soft power and believe very greatly that we need to focus a lot more, and in the context of our foreign assistance, it is an element that many look at with disdain. Yet I think about -- just take one part of the world right here in our own hemisphere -- a lot of the things that we are debating in the Congress of the United States and here in the Senate are related to some of these core issues.

You know, we debate undocumented immigration into this country, but why do people leave their countries? One of two reasons: civil unrest or dire economic necessity. And if we were dealing with that in our own national interests, we would not only stem that tide but we'd also be creating greater markets for U.S. goods and products to be sold. We'd create greater stability in the hemisphere. We might reverse the tide of where we see the hemisphere going in a spectrum of political ideology that is not in the national interests of the United States. We would see a reduction of health issues that have resurfaced along our Southern border that we had largely eradicated. We would do a lot more about making sure that a poor coca farmer finds a sustainable alternative to that because he's going to sustain his family one way or the other, and so it would be part of our narcotics interdiction efforts. It just has a lot of elements to it that aren't even about being a good neighbor by any stretch of the imagination. It is about self-

interest, national interest, national security, and I certainly applaud your efforts in this regard.

MR. ARMITAGE: If I may, Senator, I think no one will accuse Dr. Nye or I of being fuzzy-headed liberals or whatnot.

SEN. MENENDEZ: Certainly not the fuzzy side. (Laughter.)

MR. ARMITAGE: I used the term before you arrived, sir, that this is not -- maybe assistance or aid is not the proper term. This is simply cold -- it's not charity; it's cold calculation of our national security. That's exactly -- (off mike) -- I think you're making.

SEN. MENENDEZ: Thank you, Mr. Chairman.

SEN. BIDEN: (Off mike.)

SEN. GEORGE V. VOINOVICH (R-OH): Thank you, Mr. Chairman.

Dr. Nye, when did you publish "Soft Power"?

MR. NYE: Well, I think the term first was published in 1990. I then wrote a book -- but that was in a book called "Bound to Lead" in 1990, in which I said that people who thought the United States was in decline were missing the fact that not only did we have a military and economic power, we had a tremendous power to attract and people weren't taking that sufficiently into account.

SEN. VOINOVICH: Well, I read your book about four months ago, talked to my staff, and said let's peel out the best ideas that are here. And I'm so excited to be here because actually you come up with 10 recommendations.

And I would really ask the two of you, through your organization, to come back to us with some recommendations as to what we could do at all legislatively, what the next administration can do; you talked about -- and we're not looking for, you know, the Department of Homeland Security. Anybody that really thought about that, to take 22 agencies and over 200,000 people with different cultures and put them together should have known that it was going to be a debacle and it's still a debacle; unless we get somebody in charge of transformation and give them a full term, it's never

going to get done. But you would do us a great favor to come back and talk about some practical things that we could do.

Second of all, the American Academy of Diplomacy has got an advisory group. They're putting together some recommendations on a foreign affairs budget. It'd be interesting to know what people think about what those recommendations are. Condoleezza has come up with this new civilian response corps to be developed over the next few years. I'd be interested in how you feel about that.

I had a meeting with General Jones a couple years ago, and what he said was is that -- he talked with me at length about the challenges of Afghanistan (and other war ?) and the fact that many of the challenges related to the difficulty of creating a cohesive and successful strategy for so many different -- from so many different funding pots, authorities and agencies -- from democracy-building programs at State to writing laws for the Justice and (Commerce ?), and so on and so forth -- that they need that flexibility and that we ought to have a national security budget and look at how these things all integrate with each other. I'd be interested in that.

And last thing I want to say is that I told the chairman of the committee I happen to believe that this cap and trade legislation that came out of the Energy Committee, it won't get the job done. And what I'm thinking about -- I attended at Aspen Institute, we had talked for four days on China-U.S. relations -- why not an international fund where you've got the largest economies getting together, put the money in there to challenge the best and brightest people in the world to come up with ideas on how we capture carbon and how we sequester it? We know we're going to build a lot of coal -- or burn a lot of coal. I mean, they're burning more coal now, the Chinese, than we do, European Union and Japan. So we know we're going to burn coal. The question is, how do you get the thing done?

And Dr. Nye, I thought from a point of view of a public diplomacy, wouldn't it be wonderful if you could get these -- the Chinese and us and the others to come together and say this is a global problem, we're going to work on it together, come up with a new technology so we can move forward?

MR. NYE: First, let me say, Senator, that it was a great pleasure for me when I was dean at the Kennedy School to work with you on questions of

government organization and getting the right young people in the government. And I am grateful to your service on that.

To pick up your point, we will look at a number of these. We have some suggestions; we'll look at a number of these other points that you mention and would be happy to follow up on that. But let me just pick up your point about CO2 and China. We need a mind-set which is different if you're going to deal with this. And if you think of -- I think you mentioned earlier that China is producing two new coal-fired plants a week. One of my colleagues at Harvard pointed out a calculation that she did that if we didn't just get fuel efficiency standards but stop driving, parked all our cars for a year, the amount of CO2 that China is putting into the air would equal that in less than a year. That puts this into a perspective. We can't solve our problems unless we get cooperation with others.

Now, from the point of view of the Chinese, they say we're only one-fifth as intensive as you are in producing CO2 per capita. But that doesn't matter from the point of view of the environment. They don't care whether it comes per capita; they're thinking of the overall -- the burden. And so if you ask what can we do about this, you can't do it by coercion. You can use the hard power of threats or sanctions. It will be self destructive.

The only way you're going to do this is by a cooperative program of attracting the Chinese and others into something where it's in their interest and in our interest. And I think an international fund is going to be essential to this. Some people have talked about a facility under the World Bank or within the World Bank framework. Others have talked about a new facility. But unless we're able to do something --

SEN. VOINOVICH: And by the way, we have the Asian Pacific Partnership that --

MR. NYE: Right.

SEN. VOINOVICH: -- but it's doing some good things but never been funded properly.

MR. NYE: Yes, I agree that that might be a vehicle. But I think it's probably going to need to be a global vehicle on this.

But in any case, going at a series of cooperative steps with China, some of which we mentioned in the testimony here but some of which need further development, I think is going to be essential if we're going to deal with this in our interests as well as their interests.

MR. ARMITAGE: Senator, I know you asked specifically about Dr. Rice's request for a civilian reserve corps. That's a 500-person reserve corps. There's funding in the '07 supplemental I believe awaiting an authorization. I think -- I don't know how many votes -- you'll need 60 votes I guess. I think it's being blocked here in the Senate.

But this will be a good thing for two reasons. One, I think it does start to detract from the need of the U.S. military to do all the heavy lifting around the world. And second, it will allow us on smaller contingencies to have civilian experts fall in immediately on a problem, a problem such as Haiti, something that's more manageable than an Iraq, for instance. There -- associated with this civilian reserve corps is this Civilian Stabilization Initiative, the CSI, which is a 250-person active corps, 2,000 standby, and 2,000 more in a standby response mode. These are imminently worthy and sensible suggestions which will relieve, to some extent, our U.S. military.

SEN. VOINOVICH: Mr. Chairman --

MR. ARMITAGE: By the way, I just -- on the whole question of China, I was at Stanford recently giving a speech and I answered a question and then got into a colloquy, as you say up here, with a person in the audience who is a scientist who was involved in taking the filters out of Lake Tahoe. And guess what he told me he found: environmental damage from China.

SEN. VOINOVICH: Yeah.

Mr. Chairman, could I just ask one question? I know I've gone over.

But the question I have is this, is that we have -- you know, we're coming up with ethanol, cellulosic and all these other things, and wouldn't it be wise for us to kind of sit back and see how all of this starts to affect other things? In other words, we've got ethanol -- we're supplementing ethanol and now we're saying we're going to go to cellulosic and then we're going to do this, and how does this ricochet around in terms of the big world picture, in terms of food and some of these other things, before we just go off and do

little things? Do you understand what I'm saying, is to step back and look at the big picture and see how does this all fit together and where should we be putting our effort?

MR. NYE: I think that's exactly right. One of the problems is to seize on something as a silver bullet and not realize that there is enormous web of interdependency so that as we got a little bit overenthusiastic about corn-based ethanol we found that this was having effects around the world which were much more costly than we first believed. So it does require a more careful and thorough study on some of the measures we take.

There are things we can do, but I think we haven't always been as wise as we could in doing them. And I still believe that pricing systems make a difference. In other words, if you have a floor in which you create a floor and then people can make their decisions by market mechanisms above that floor, that's different than going a direct pinpointed subsidy on something which may turn out to have hidden side effects.

SEN. VOINOVICH: Thank you.

Thank you, Mr. Chairman.

SEN. BIDEN: Thank you.

Senator from Georgia.

SEN. JOHNNY ISAKSON (R-GA): Mr. Chairman, I want to associate myself with all of your opening remarks, all of the ones that I heard vis-a-vis energy and the "new new thing" and what we need to do.

And I want to -- Senator Hagel used the word -- referred to preparedness and the fact that we weren't prepared, and it caused me to remind myself that two weeks ago at my staff retreat in Georgia, I invited General Russel Honore to come speak. I don't know if you all remember who he was, but he was the general that the president sent in to the disaster in Katrina, and he fixed the mess that really FEMA had started in terms of he saved lives, got them out of there, and was really a take-charge guy. And in the press conference -- his famous press conference -- he made the statement to a reporter who asked the same question for a third time, he called him stuck on stupid. (Laughter.)

I think we're stuck on stupid, and from -- and I'm talking about the United States Senate here, I'm not trying to throw a wide net, but the body politic because we are sitting around with no --

SEN. : (Off mike.) (Laughter.)

SEN. ISAKSON: That's right.

But my feelings on the -- I think energy is a crisis. Yes, markets have cycles, but these cycles keep going up from a higher base every time they go down. And we have ways that we know we can reduce our dependence on fossil fuels, and we argue politically over doing those. It seems to me like we need a two-tiered approach. Tier number one is to put down our arms and recognize that we do know how to use nuclear energy. The Air Force has flown B-1s on synthetic fuel, so it's doable. Clean coal technology is -- in fact, in Florida, Southern Company was building a coal gasification plant. It unfortunately at the last minute got shut down because just the fact that it was coal, they didn't want to take the last step.

It seems like we -- this Manhattan Project we're talking about ought to be an effort -- a short-term effort -- short term probably being 10 years -- to get our nuclear title efficient to be able to turn these plants out reasonably and safely; to focus on green space because it's a part of the solution in sequestration of carbon; to focus on renewable sources of energy, focus on synthetic forces of energy; and then have the second tier as the new new thing, which is the Manhattan Project because there are some bullets out there. We hope that one day hydrogen will be a bullet. We hope there will be other things that can really -- but I do think we've got to stop arguing what is the new new thing. We don't know what it is, but we know a lot of things that can reduce today some of our dependence, and I think we ought to have that short-term focus on those things with the long-term focus on the future development, science and technology.

I'd appreciate your comment.

MR. ARMITAGE: I very much appreciate your comments, Senator, both as a constituent living in Savannah and as a citizen.

Look, we've got to stop kidding ourselves I think is the way I would say what you're saying. We've kidded ourselves in various energy bills that we actually were doing something. We're now kidding ourselves that carbon

sequestration will solve the problem. So maybe the first -- in the first instance, that's what we ought to do.

A two-tiered approach is perfectly reasonable. I noticed that Senator Biden was using a term which I have an affection for, which is holistic approach to this, and it has to do with the different technologies. It has to do with reductions of our own demand here. It has to do with rapid transit development, which would assist us in driving less and changing our habits. It has to do with a whole lot of things, but it seems to me that's going to have to be a backroom conversation for a while with very interested members of the U.S. Senate before it can come out in the daylight because that's going to really gore a lot of oxen if we really approach this thing holistically.

SEN. ISAKSON: Dr. Nye?

MR. NYE: If I could just add, I think the two-tiered approach makes a lot of sense. We should be having major programs to look for alternatives which will transform the situation, but we've still got to live through that short run, which may be a decade or two. And in that short run, nuclear, which I'm in favor of expanding, is not going to solve it.

If we're realistic about this, what we're seeing is coal is going to be burned. India, China, for example, have enormous reserves of coal. What we have is a strong incentive to get clean burning of coal in carbon sequestration. We have some pilot plants on carbon sequestration. What we haven't worked out is how it works as a system as a whole. How do you get the regulatory framework? What happens if it's large scale and so forth? I'd like to see something like a Manhattan Project in that area.

SEN. ISAKSON: Well, on the subject of nuclear, I don't disagree with you. I'm not -- didn't make -- list it first to say it is the solution, but it is a part. In this holistic approach, it's a part. It's a terribly expensive capital investment to put in the ground, and you've got to -- if you're looking to 10-year goal, you can probably get it operating maybe on the 10th year, but for 30 more years it's going to contribute to the lessening of the pressure.

The only other comment I'd make, I wanted to -- I was reading your 10 points here. On the 10th point, the next administration should not fall into a new cold war struggle to compete with and contain Chinese soft power. I think I understand that, but I do think we need to promote -- it seems like if I understand all of the key components of soft power, it seems like to me that

we need them thinking more in that line than the militaristic line. I mean, both of us are going to have -- we can never let our defense guard down. We have to be prepared for the worst. But we start -- need to start encouraging the best, so I don't know that a little positive competition for creating soft power is not a good thing.

MR. ARMITAGE: It's a very good thing I think. Maybe we in an inelegant way are trying to make that point, but that's exactly the direction. We don't have anything to fear from Chinese soft power as long as we also stay engaged across the board using all our tools in our toolbox.

SEN. ISAKSON: Because I can't help but think, Mr. Chairman, if we do perfect the clean coal technology, the Chinese will be the first people to come buy it. I don't know that they'd be the first people to go develop it, but they'll be the first people to come buy it and that's good for the economy and in the end good for everybody else.

Thank you, Mr. Chairman.

SEN. BIDEN: Well, gentlemen, you've been contributing and continue to contribute for the last I don't know how -- I won't mention the decades, but for a long time. And we're going to -- the point made by the senator from Ohio about maybe you could come back with us -- and I realize it's a burden -- with some specific notions about how to -- we should be proceeding here legislatively.

I just think that if there is ever a time politically that thinking bold has an opportunity to actually succeed, I really don't think it's been set up, teed up this -- you referenced Samuel Johnson, Professor. I believe he's also the one who said that there's nothing like a hanging to focus one's attention. And that's what we're -- I mean, you know, it sounds like hyperbole, but I tell you what, we're -- (laughs) -- the American public is getting it.

I'll conclude by saying one of the interesting things asked whether or not by the -- a poll, I don't know whether it was Pew or whoever did it, a reputable pollster, about eight, 10 months ago, asked the question -- didn't get much coverage but I thought at least it reinforced my confidence in this -- I'm not being solicitous -- in the American people. They asked what is the greatest threat to our security, and they listed all the threats including energy. And they all said energy. I mean not all, 71 percent or 72 percent.

See, the American public gets this. I think we vastly, vastly, vastly underestimate the willingness and the appetite of the American public to be able to take a chance, to take a risk. And so that's what -- that's all I meant about -- I was in no way -- I know you didn't think it, but for the record, I want to make it clear. This contribution you've made is significant. I was just suggesting that if there's any time, any time in our history since 1946, to think big about accommodating to the changes taking place in the world, this is the moment. And I think the public is ready to absorb it.

And I would suggest that we don't have that authorization that Condi wants for a bill that Senator Lugar and I wrote, and maybe you could go visit in your quiet way, Mr. Secretary, Senator Coburn. (Laughter.) It would be a very helpful contribution to make. (Laughs.)

At any rate, I thank you both. I hope we can call -- continue to call on you. Your contribution has been significant. Thank you very, very much.

Our next panel is James R. Locher III, executive director for the Project on National Security Reform, and Dr. Gordon Adams, professor of international relations, School of International Service, American University, distinguished fellow. I'm delighted you're both here. I read your statements. I hope we can get to talk a lot about them because I think you're meeting my desire of thinking big here, and so I hope we can have some time.

And my colleagues having to leave is not a lack of interest in what you have to say; they've got -- each of them have other committee requirements that they've indicated to me ahead of time. Some -- two may be back, but I just want you to be aware of that.

So why don't I yield the floor to you gentlemen in the order in which you were called, and then we'll maybe have a conversation here.

MR. LOCHER: Thank you, Mr. Chairman, Senator Lugar. I appreciate the opportunity to testify on national security reform.

Since the beginning of the 21st century, the United States has suffered a number of painful setbacks: the terrorist attacks of September 11th, the troubled stability operations in Iraq and Afghanistan, and the inadequate response to Hurricane Katrina. These setbacks are not coincidental; they are evidence of a system failure.

Our national security system is not capable of handling the threats and challenges or exploiting the opportunities that confront us in today's complex, fast-paced, information age world. These deficiencies are not about the lack of talent or commitment by national security professionals. They are working incredibly hard and with unsurpassed dedication. The problem is that much of their hard work is wasted by a dysfunctional system.

Of our antiquated arrangements, Defense Secretary Robert Gates has observed, "We have tried to overcome post-Cold War challenges and pursue 21st century objectives with processes and organizations designed in the wake of the Second World War."

Of dozens of problems in our national security system, three are most pronounced. First, we are not able to integrate the diverse expertise and capabilities of departments and agencies. Our challenges require effective whole-of-government integration, but we remain dominated by inward-looking, vertically oriented, competitive, stovepiped departments.

The second major problem is that the civilian departments and agencies are underresourced and they are culturally and administratively unprepared for national security roles. Mr. Chairman, you and Senator Lugar noted this challenge with respect to the resourcing of our civilian departments in your opening comments.

The third problem is that congressional committee jurisdictions, which generally match executive branch structure, tend to reinforce the vertical structure and processes of the departments and agencies. Focused on the parts, Capitol Hill cannot address a whole-of-government approach to national security missions.

These three problems and others are not new. Our national security system has almost never been capable of integrating all instruments of national power. Our shortcomings, however, have become more serious in recent years. The question is why, and there are two answers: complexity and rapidity of change. In an increasingly complex and rapidly paced world, our vertical stovepipes are less and less capable.

What must be done? Three sets of sweeping reforms will be needed. First, new presidential directives will be required. The next president could make enormous changes on his or her own through these directives.

The second set of reforms will be a new national security act, replacing many provisions of the 1947 act. Mr. Chairman, at the committee's hearing on March 5th, you spoke of your interest in developing a National Security Act of 2009. You are absolutely on target. We need a new national security act.

A third set of reforms will be amendments to Senate and House rules. One key possibility is to create select committees on interagency affairs. These new committees could be peopled by the chairman and ranking members of current committees with national security jurisdiction plus corresponding appropriations subcommittees.

The goal of the Project on National Security Reform, which is sponsored by the Center for the Study of the Presidency, is approval of a new system early in the next administration. The distinguished coalition of former officials -- Brent Scowcroft, Jim Steinberg, Newt Gingrich, Joe Nye, Tom Pickering, Michele Flournoy, Dave Abshire, Leon Fuerth, General Jim Jones, General Chuck Boyd, and 11 others of great expertise and experience -- guide the Project on National Security Reform. More than 300 national security professionals are participating in our 14 working groups.

As you may know, Mr. Chairman, 13 House members have formed a Working Group on National Security Interagency Reform. A principal objective of their efforts is to promote congressional understanding of the need for historic reform. A similar effort is required in the Senate.

The Project on National Security Reform will produce an interim report on July 1st and a final report on September 1st. The interim report will focus solely on problems, their causes and their consequences. The final report will offer alternative solutions, will evaluate them and will also offer an integrated set of recommendations.

Following the release of these reports, the project will draft presidential directives, a new national security act, and amendments to Senate and House rules. These will be completed by the November election. You suggested that we think big, and in the project we are thinking big because the nation needs these reforms.

National security reform must happen and soon. The costs of failing to move forward rapidly could be catastrophic. Moving this large mountain will require sustained dedication of a coalition of like-minded people in the

executive branch, Congress, think tanks, universities, businesses and concerned citizens. I hope that the distinguished leaders and members of this committee will decide to play a leading role in this coalition.

Mr. Chairman, the time for action is now. Thank you.

SEN. BIDEN: Thank you very much.

Doctor.

MR. ADAMS: Thank you very much, Senator. And first, I want to congratulate you on these hearings and thank you for the opportunity to testify, and to you, Senator Lugar, as well.

I genuinely agree with you, Senator, that this is a critical turning point right now. We have a tremendous opportunity to do something about the civilian tool kit of government as well as a number of the major of issues that you've raised. And so I want to address just a few key points here in my opening statement and put the rest of my statement in the record, and I'm happy to remain available to you too as you proceed in your hearings and as you proceed in your work.

It's ironic that when one thinks historically that the Department of Defense was created in the original National Security Act of 1947 that Jim Locher referred to. And part of the motivation, among others, for creating the Department of Defense was to balance the tool kit of statecraft after the Second World War against the big, bad ogre excessively powerful Department of State, which is a kind of an irony when you think about the situation that we're in today. (Laughs.) That's one of the original ironies.

The other crucial decision with respect to the civilian tool kit was the decision that's been made repeatedly throughout the last 50 or 60 years, which is that every time we have a need to put resources against a problem there's been a tendency to create an institution to do it, but that institution has frequently -- in fact, almost always -- been outside the Department of State. So we have a disjuncture inside the civilian tool kit between organizations that deliver programs and organizations that handle diplomacy.

And what I'm suggesting here today and want to suggest is the result of that is, as the CSIS and Smart Power Commission put it, diplomacy and

foreign assistance are often underfunded and underused and foreign policy institutions are fractured and compartmentalized. The consequence of that that we've seen in the last few years is that we tend to rely excessively on the most organized and best-funded institution in government, which is the Department of Defense, to plan, fund and execute our national security strategy.

So my objective here today and in general is to rebalance the tool kit, as I believe one of the senators has said -- might have been you, Mr. Chairman, or Senator Lugar -- and to end if you can by -- in doing that but to end what I call the diaspora of foreign policy institutions. It's a diaspora that struck me strikingly from 1993 to 1997 when I was the national security official at OMB, I was spending 90 percent of the resources for which I was responsible through the Department of Defense -- 90 percent of what I will call, to use a good ethnic term, the -- (inaudible) -- was in the foreign affairs part of the government because of the diaspora.

So let me just make a few suggestions about we might approach that. You have all and the other senators who are here and the other panelists have put their fingers on the issues that we have to deal with, and these are -- it's an issue agenda that goes far beyond the question of how do we organize the government to deliver an effective civilian counterpart for post-conflict stabilization and reconstruction. That's a piece, but it's only one piece because if you think of the challenge of globalization, the challenge of adequate, effective governance in failed, fragile or brittle states, the problems of identity conflicts around the world, the problems of transnational issues like health and terrorism and environment and crimes and drugs, and the shifting power balances that we're facing in the world, which have been referred to in the earlier discussion -- I think Senator Hagel called it a diffusion of power in the world -- is an enormous set of challenges that go well beyond the particular issue that we've been dealing with so much in recent history.

The first area that I wanted to say something about is the area of foreign assistance. We've talked a bit about foreign assistance in the Q&A, and we definitely need to strengthen and reform and fund and integrate the civilian foreign assistance tool kit. The diaspora that I talked about earlier, a moment ago, is still true today. There is no integrated planning or budgeting organism that's regularly institutionalized in the foreign policy world. There are major human resources problems that I will come back and refer to in a

minute in terms of the number of people, training programs, planning, budgeting. And I would suggest that it's very important in approaching the question of foreign assistance that we not try to solve it by separating out development from the rest of the tool kit.

We do, I think, need to empower USAID or a development and foreign assistance function in the government as a primary source of budgeting and planning for foreign assistance, and we need to strengthen the capacity of the regional bureaus -- this has been referred to earlier -- in the State Department so they are adequately integrating their diplomatic responsibilities and their foreign assistance responsibilities inside those bureaus.

I would suggest keep and build on the current exercise known as the Office of the Director of Foreign Assistance, the "F" process as it is sometimes known, with better bottom-up work, greater transparency, more institutionalization and better long-term planning. Professor Nye referred to the idea of an organizational deputy secretary at the Department of State. I think it's an idea very much worth considering. There is a statutory capability for such a deputy, and having somebody who had responsibility in State for both the management and the programmatic responsibilities as an internal COO, if you will, is I think a very strong issue to consider for the State Department.

I would not go down the road of a department of development and a separate Cabinet department. I understand the desire for a Cabinet-level voice, but in my judgment, at least trying to create such a department, first of all, would exhaust us for the next two or three years in a series of bureaucratic battles that would waste our good moment of opportunity, as Senator Biden has said. It would create a department in friction with the State Department. It would exacerbate the diaspora of organizations. And most important, it would isolate the 44 percent of our foreign assistance portfolio that does not have development as its primary objective.

But where we do programming, through Freedom Support Act, SEED, peacekeeping operations, counterterrorism, counternarcotics operations and the like, we'd be saying where do we organize those, who delivers those, and how do we integrate those into our statecraft. So there's a real weakness, I think, in going down that road. I'm more interested in connecting our assistance programs to our overall foreign policy objectives and having development be one of those very important foreign policy objectives.

And finally, in the foreign assistance and State Department area in general, to do this effectively, there's a major human resources issue that we need to deal with. Senator Voinovich was nice enough to mention the American Academy of Diplomacy study that he's participating in. I know both of your offices have expressed an interest in. We are doing the leg work for that project at the Henry L. Stimson Center, and we're looking forward to coming back to you over time in the next few months as we go towards the same objectives that Jim Locher's going towards, which is the end of the summer, with some very concrete proposals both for funding and for human resources issues.

Second, let me just briefly mention the stabilization and reconstruction area. I am concerned that we may be seriously fighting the last post war in trying to create capabilities that would be too large for the situations we may face once this particular conflict is over. I draw on that in part from, Senator Biden, comments you made at Georgetown about not having a one-size-fit-all approach to the problems of post-conflict and terrorism. Terrorism is a tactic, and the conflicts that we're fighting are going to require all the tools of statecraft to deal with them, but we need to focus that I think more broadly, our efforts in post-conflict, more on the issue of failed, fragile and brittle states as a broad foreign policy challenge that we face and a security challenge.

We are right now creating another diaspora in the post-conflict area with the proposal for SCRS to expand, with the CERP program at DOD, with PRTs in the field, with the Office of Transition Initiatives at AID, with the Combatant Commanders Initiative Fund, and with the Overseas Humanitarian Disaster and Civil Affairs Programs at the Department of Defense. We now have six organizations that are all somehow tasked in the area of post-conflict, and we do need a small, capable, operational interagency capacity even if we don't do Iraq again. So one of the issues I think we need to grapple with is how to straighten out that second diaspora that we're dealing with.

Next issue, the issue of the balance between defense and the civilian agencies and the area of security assistance: This raises a major issue that you've all pointed towards, which is the migration of capabilities and responsibilities to the Defense Department. It's a risky migration for three reasons. Reason number one, this is, as has been mentioned already today, not an area of work that is with a central core competence of the military.

They're doing a hell of a job with a problem that is not within their central core competence, and it's part of the stress.

Issue number two or problem number two with this migration, by assuming we have to call 911 DOD every time we go into these issues, we are weakening further the civilian capability. We are assuming that Defense must do this job because we assume the civilian capacity isn't there.

And issue number three that I have with it is that in effect this is sending a uniform face to the rest of the world, and while we value and honor our military, that's not always true around the rest of the world when civil affairs, governance and reconstruction end up being the responsibility of the United States military. So for stress and capacity and international relations reasons, I think we need to take a close look at things like the Section 1206 program -- and I very much endorse the comments that were made earlier about bringing that back into the Department of State's authorities -- about the range, extent and globalization of the CERP program, about whether or not coalition support funds ought to be done under the secretary of State's authorities, whether the Combating Terrorism Fellowship Program ought to be included in the IMET program rather than as a separate DOD-funded authority; all of those are issues that I direct your attention to and urge you to take into consideration.

And finally, the question that Jim Locher has raised, the interagency question, I fully agree with him. The interagency system that we have created over the past 50 or 60 years is now flawed. It's reinvented by every administration. It's ad hoc in operation. There's not much learning curve. There's very little long-term and strategic planning capability in that system. And there are a wealth of ideas out there I'm sure you will draw on from Jim Locher's project, from the CSIS work that Cindy Williams and I have done that I have shared with the committee on how you look at the interagency, and even the experience of things like the National Implementation Plan for Counterterrorism's lessons learned as that has tried to draw it together, just in that one area of policy, strategy, guidance and detailed budgeting for implementing a cross-agency strategy on counterterrorism.

What is possible here? Well, I think a lot of things are possible. We're at that critical moment where a quadrennial national security review is possible, where a national security planning guidance for key priorities is possible, where NSC and OMB, as Joe and I suggested, need to be working

in tighter harness in the executive branch, where all agencies participate in the process, and where the central institutions and the White House take a new look at their role and responsibilities, which are not in the same kind of world that we are living in.

And the last point I want to make is one Jim made as well, which is we waltz around -- we're here testifying before the Congress, but indeed, the Congress is not only part of the solution, it's part of the problem as well. It's the way committee jurisdictions are stovepiped, the way in which the Budget Committee has always considered traditionally 050 and 150 as separate stovepipes in the budget process, the difficult process of establishing joint hearings or even Jim's idea of a joint committee capability that's looking at cross-agency issues, the inflexibilities of the 302(b) process and the appropriations side of the building.

And a very difficult but I think fundamental part of the problem here in finding the solution, and that is how do we work out a comity and trust between the executive branch and the Congress so that we have greater flexibility in the executive branch operations cross agency for funding, how we have greater contingency funding capability for the executive branch, how we reduce earmarks in the foreign policy world, and how we get appropriate reporting and accountability to the Congress so that you all trust the executive branch as those processes take place.

So I congratulate you on the hearing. I think you've embarked on a very difficult but very promising road at a very critical moment in time.

SEN. BIDEN: Let me yield to Senator Lugar, but let me just make one quick comment. I think our mutual experience -- I've not talked to Chairman Lugar about this -- but this whole notion of comity and trust, in my experience as being here for seven presidents, that depends completely on the president.

The degree to which the Congress distrusts -- the distrust doesn't go to institutional issues; it goes to motivations perceived by the Congress about the president whether they're going to count him in, and I think all three candidates who are running, including our colleague Senator -- you know, there's some disadvantages of having senators run, we're told, for president. We're going to get a senator for president, and I'm not being facetious when I say this, whether it's John McCain or Barack Obama or Hillary Clinton, I

think we have a prospect of that institutional trust being a lot better, which is a big leg up if that occurs.

I'm going to yield first to Senator Lugar, and then I'll come back with a question.

SEN. LUGAR: I join the chairman in hopes that our colleagues will still remember us. (Laughter.) Still, we have to operate on faith.

And I think the point that you made is an important one, not only about the shifting in the Department of Defense and the State Department relatively, say, in a 50-year period of time, but likewise, the congressional jurisdictions.

You know, leaving aside our relationship with the president, our relationships with each other are very important. I've noted that some committees feel an affinity to the department that they believe that they are servicing. It's all one team and they're very defensive about giving away the store or money or what have you.

But hopefully, this is the purpose of our thoughts now, to invigorate the system. I hope that as a new Congress comes, as well as a new president, that there are these opportunities.

I was just thinking as I listened, too, about some fledgling attempts in this area. In part, our committee has taken seriously the thoughts of the last panel with regard to energy policy. And Mr. Boyden Gray, who has been active in government before, has come back in a role in the State Department, and we have yet to visit with him extensively about his initial impressions, but attempting to play a role as an energy emissary, ambassador or thinker in the State Department.

In part, this has come from some of the experiences that some of us who are trying to be helpful out in the field -- and I take as a point of illustration a visit that I paid in January, starting with the premise that it's very important that the resources of oil and natural gas from Kazakhstan, Turkmenistan, the flow through Baku, Azerbaijan and the Tbilisi-Ceyhan pipeline, somehow, some of this reaches Europe.

But there is a very great importance in terms of our NATO relationship that there be at least some alternatives to supplies by Gazprom and LUKOIL, and what have you.

So, for instance, you'd start out in Kazakhstan, and Kazakhs can understand the need for a more diverse portfolio -- best not to have only one customer. At the same time, logistically and in terms of history, their relationship with Russia on these issues has gone well for them. And so as a result, even in January during this period of time, with President Putin on the telephone with the president of Kazakhstan and Turkmenistan, new agreements were formed for natural gas, very large supplies.

In my visit with the new president of Turkmenistan, there is at least an opening for more possibility for dialogue with the United States or with others. And it's moving along slowly, but it is moving. And to his credit, he is taking some initiatives.

But I -- and then in Azerbaijan, have President Aliyev, who is very impatient with both of the above for failing to get into a Caspian Sea situation. He feels unable, diplomatically or in terms of the (clock ?), perhaps, of his nation, to engage those two in what might be in a mutual interest.

Now, this is just as background for what even a person, maybe Boyden Gray, or maybe three or four people, so forth, might be able to do in a very initial start which doesn't get to these fundamental issues of climate change or energy independence or anything of this sort, but just (something ?) -- and a loosening up of the international system, which the United States, through our diplomatic clout, hopes that we still have, if we have also the initiative, the thoughtfulness of what needs to occur out there.

Absent that, we have substantial reverses. The State Department, as well as Defense, could give briefings on why attempts really to provide channels of oil or natural gas into Europe are failing because of the Russians acting more rapidly and signing agreements quickly with Bulgaria, with Serbia, with others to cross-hatch all that was in mind there.

And this is happening right now during this administration. And to the credit, at least, of Secretary Rice, why, she has perceived this, acting slightly upon it. We're really talking about the real world in terms of trying to somehow have proper organization.

This could occur, I presume, through the Department of Energy. And some would say that's really where it belongs. Why is anybody in the State Department fooling around with energy? Or, some could say, really because we have more contact with these countries, Defense Department still is the mainstay; this is the way you finally get people who have at least authoritarian or semi-authoritarian governments loosened up and work at this.

But I seize upon this as sort of a practical example, with some personal experience, as to how the world works now and how in the first year of the next administration it might work better in the event that proper thinking came.

But I agree with you entirely with the precept that somehow or later, there has to be some money, some cooperation, some thoughtfulness that moves us away from what I perceive to be one of the problems of some of the initiatives in this committee. And that is, sometimes they're simply stalled on the Senate floor by members of another committee who put holds on the bills. They don't happen.

So a lot of hearings have occurred. Very able witnesses like yourself give testimony. Reports are written. But the net effect of this is zero, because in part, we build a public tradition that if you need tough diplomacy, if you need tough people in a tough world, it's over at DOD that these people exist, not in what is seen sometimes by people in a derogatory way as effete diplomats or people that -- up at the State Department, who really are not tough enough to deal with all these types of things.

And that may be a mind-set in the public as well as the Congress that needs addressing, in addition to the valid academic points that we're all making today about how our policy ought to go.

In other words, if we're talking about change here, how do we re-characterize what is to happen? Maybe we don't talk initially about the State Department at all. We talked about objectives that occurred. They just happened in the wind up to there because the president assigns them and so forth.

But address, if you will, this predicament. It's not by chance, I think, that the flow of men and materials, money, has gone from State to Defense over 50 years and is not in the process of being reversed. If anything, it really

takes a major effort to maintain even the Foreign Service levels that we have now, quite apart from money for foreign assistance of any sort.

How do we change that perspective, sort of politically in the Congress and the administration? We have some chance now of addressing the subjects you've talked about.

MR. ADAMS: This is a wonderful issue that you've raised because it classically captures, I think, exactly the agenda that we're facing. That is, this is a new issue for statecraft, one. Two, it is an issue that is inherently interagency. It is not one agency's problem to deal with. Three, because we don't have the strength in civilian tool kits, and I would say partly because we don't have a strong strategic planning capability on the civilian side, we default to dealing with the issue through the uses of the military forces. We're worried about safeguarding supplies. We're worried about, you know, being a power in a region and how we use the military to be a power region. We ask the COCOMs to go around and talk to countries about the U.S. strategy in the region. And we default on the civilian side to that --

SEN. LUGAR: That's an especially important point, the default -- if you don't have anything out there, then you have emergencies. Then --

MR. ADAMS: And then you have emergencies, and then we use the instrument that is the hand that's organized and well funded. And by God, they go out and do the best job they can do.

But it sets us back in the long run, and this is one of those long-run issues, where it's really, really critical, and on an interagency basis, which means going back, if you will, to that HR problem. Do we bring in people who understand this issue into the diplomatic service? Do we higher them? Do we promote them? Do we incentivize them? Do we put them in positions of authority?

So partly, it's an HR issue. Partly, it's a training issue. Do we train our civilian side to think in terms of the long term, the strategic planning, these resources we need to apply, the connections between our domestic supply issues and the international supplies issues and the diplomacy?

And the other aspect of it that you pointed to, which is critically important here -- and I think Senator Biden said this earlier -- this isn't an

issue we can solve alone. There's no way we can solve the energy issue alone.

I agree with our predecessors on the panel about energy independence. This is a fool's errand, energy independence. It's got to be an international solution. And if you're dealing there, then it means looking at new institutions, new negotiations, new processes. And you put your diplomats, and, I argued in my testimony, your program foreign assistance providers at the helm, at the leadership of that effort to engage those countries and find solutions.

SEN. LUGAR: Who calls the meeting is the problem. And how do you have a peace treaty on energy?

MR. ADAMS: I think we and the European Union and the Japanese, and I would argue, the Chinese are in a very strong position to call that together.

MR. LOCHER: You know, if I might, Senator Lugar, one of the problems, both in the executive branch and on Capitol Hill, is that we don't look at national security from a whole of government perspective. We are focused on the parts.

And if you look at what happened in the National Security Act of 1947, it reinforced the parts. It created a strong Department of Defense. It created the intelligence community. But it also created a very tiny headquarters, which only had advisory responsibilities, in the National Security Council staff.

And so we don't have the mechanisms for integrating across the government. And so one of the things is to think about national security as a system. And that's why in my commentary about the Congress, I talked about the select committee on interagency affairs that could look across all of the standing committee jurisdictions, at national security as a whole.

We are of the opinion that in the interagency space, in the future, the most important national security work will be done. And that's the space that currently, the Congress does not have jurisdiction over.

We're seeing a number of organizations beginning to emerge. The work that's being done in the Africa Command and in the Southern Command is

really pushing towards a civilian-led regional organization that would integrate all of the instruments of national power for the United States on a regional basis.

You know, the coordinator for reconstruction and stabilization in the State Department is supposed to be an interagency entity, but it's not because it doesn't have buy-in from the rest of the government and it's placed there in the Department of State. But it could be kicked into the interagency space and made a viable organization.

In one of the -- in my project we're following a very disciplined methodology to identify what are the problems. Most reform and reorganization efforts don't get into that, to really understanding what's wrong and what's causing it. But we often try to present illustrative solutions so people have a sense of what might be possible.

And one of the solutions that we've often talked about is if, prior to our invasion of Iraq, if we had in the interagency space a horizontal team that was responsible for reconstruction and stabilization and it had all of the expertise of the United States government, and it was asked to put together the plan for reconstruction and stabilization in Iraq, thinking of all of the expertise and capabilities of the United States government, and then was instructed to go to Baghdad and to implement that plan with a team that was properly led, manned, empowered, linked back into all of the departments and agencies, we would have had a much more effective effort.

Could we create such a team? Absolutely. If we look at what's going on in business today, businesses had to deal with the same complexity and rapidity of change as government has not been able to handle. And they've done it through creation of horizontal teams.

In big business today, more than 50 percent of the work is done horizontally. And that's because the corporations need the expertise, the ready expertise of all of their functional elements to solve a problem quickly and effectively. And in government, we can move in that direction.

We're starting to see these ideas emerge. There's really no authority for them, but the African Command and the Southern Command recognize that the most important tools in their regions are civilian tools. And that's why they're trying to integrate civilians into their command structure.

But it is this requirement to look at national security in a whole of government perspective. We are completely out of balance. We can't integrate. We have a very tiny integration capability. And we have these massive stovepipe bureaucracies that are -- have a tremendous amount of capacity, but they tend not to be integrated in useful ways for the United States.

SEN. LUGAR: Mr. Chairman, I'll just conclude with a thought. Chairman Biden in fact tried with this committee to generate enthusiasm for the idea you suggested on reconstruction of Iraq. And we had many witnesses, many hearings, pretty good ideas.

And in fact, we hoped something was going on in the administration and even called for witnesses. And they were not forthcoming. They said, we're just not going to send anybody over to testify about all this.

Ironically, on the very same day that witnesses were not appearing, why, the witnesses were appearing over in the Pentagon in the press conference, and we had the anomaly of press people over at the table, listening to the press conference and the testimony that we might have been having here.

I take this bizarre and extreme example, but this physically occurred, historically. So you know, we're back around again, as the chairman has said, fortunately. We will have three colleagues, one of three will be president. Hopefully, we will get witnesses; we'll have some cooperation.

But your testimony is very timely as we try at this again.

MR. LOCHER: Senator Lugar, may I add one more point in this regard?

As you know, I was involved in the Goldwater-Nichols Act. And we had the problem in that we had the Department of Defense, but it was fractured among the four services. For 40 years, warfare required that we be able to work in an integrated fashion. But the four services wanted to maintain their independence and prerogatives. And it finally took the Congress overruling the Department of Defense to create the joint war-fighting capabilities we have today.

And if you think about where are we on the interagency, we're at the same place. We have more tribes in the interagency, but the challenge is the

same. How do we take that great capacity that's in the individual departments and agencies and integrate it to meet the complex threats that are in front of us? It can be done. The combatant commands are those horizontal teams in the Department of Defense, and we need their counterparts at the interagency level.

MR. ADAMS: Let me introduce one caveat to what Jim said because we can't have all the agreement. I think it's very important, in the two cases that you've cited, one, in looking at Iraq, I caution again about the problem of fighting the last post-war, that we really blew that one. Boy, did we blow it big time. Right? But not to construct the capability that we think has to do post-conflict reconstruction Iraq style, in Iraq, like Iraq, at the scale of Iraq, I think that's both unlikely and probably counterproductive that we won't be invited to carry out an exercise of that kind at any time in the near future.

But, having said that, that's why I suggested we need to look at it as an issue of failed, fragile and brittle states. That's a governance problem around the world. And we're going to face that, like it or not, everywhere around the world. And it's going to be not only ours but ours and other countries' responsibility to think about how we create a capacity that may be more restrained than what we would have sent into Iraq but is equally capable of providing that kind of capacity on reconstruction and governance that other countries are going to need in advance of an invasion, in order to make an invasion unnecessary and in order to ensure that the country doesn't become a security threat to other countries.

SEN. BIDEN: Thank you.

Senator, let me explain. I yielded to the senator. I'm going to ask questions, then yield to you.

You know, I may have been hanging around too long with Senator Lugar these last 30 years because the very point he started off with was what I wanted to discuss, and I'm going to raise it from a slightly different perspective, if I may.

The things we seem to tiptoe around are a culture at each of these departments. And notwithstanding the fact that we shouldn't learn the wrong lesson from the last war, and pray God we're not in a circumstance where we are, quote, "intervening" in any way to the extent that we're intervening now

in Iraq and have to deal with that, the point that Senator Lugar made was absolutely correct.

We held hearings. We laid and listened to the very informed witnesses. The senator and I joined in op-ed pieces and reports, saying that, you know, we need this interagency, this civilian capability. You can't go it alone. We talked about everything in detail, from the number of essentially police forces that would have to go in with the military forces and the civilian forces necessary. I mean, we went into some considerable detail, and we were assured that that was being done, that was being done. But they wouldn't come and tell us how it was being done. And it turns out it wasn't being done at all, which leads me to this proposition I'd like you to respond to briefly.

In my experience hanging out in this place for a long while, a great deal of what is able to get done depends upon whether or not a president, using the bully pulpit, wants to get it done. The truth of the matter is, this -- and I'm not trying to pick a partisan fight here -- but this administration, at least at the front end dominated by two very strong and bright personalities, the vice president of the United States and the secretary of Defense, had as part of their mission, those of us who've known them well, to recapture what they thought was a loss of power of the presidency that began in Vietnam, the unitary executive. And I think that notion drove an awful lot.

Secondly, this administration began with a assumption, quite frankly, that the CIA was deficient. It was defunct, it did not take chances, it was not to be listened to. And you saw a whole attempt to set up a whole new, not interagency but a CIA within the vice president's office -- not literally the CIA, but an intelligence unit within his office, as well as over at the Defense Department. And further, there was the assumption that the State Department was both effete and ineffective.

So they came to office with these very strongly held views about the culture of the departments and about balance of power and the separation of powers issues and debates. I think that colored a great deal of what happened, which leads me to the point that you raised, Professor. You said, or one of you said, strategic planning capacity on the civilian side is missing. I would argue it's not missing. It's like that phrase attributable to G.K. Chesterton: "It's not that Christianity's been tried and found wanting; it's been found difficult and left untried." (Laughter.)

If we had a secretary of State who decided to engage, there is nothing that suggests he can't or she can't write that document, pull together, notwithstanding his or her jurisdiction, to take the case to the president of the United States of America.

So as much as I am an advocate of a national security act of 2009 which is a gigantic undertaking institutionally, bureaucratically, it seems to me it all starts with self-starting initiatives, not just here but with a new president and the persons he or she asks to people the organizations that they want, which leads me to the point I would like to raise. And I'll be anecdotal to make the point, as you were, Jim, when you were giving an example about things we could do.

I, like Senator Lugar and Senator Feingold and others, have been strong supporters of more muscle, resources and authority for the State Department, the civilian side of the equation. But having traveled I think now 13 or 14 times into -- and if I add Bosnia, 25, 26 times if my numbers are correct -- it's over 20 -- into these, quote, "battle zones," in every instance, I've walked away saying to my staff, you know, "God darn it, I don't like doing this, but we got to increase the CERP funds because the State Department is ineffective."

They are ineffective. And even though I know it's counterintuitive what I want to see happening, I am a guy who'll put a -- if we had listened to at the front end of this process, General Chiarelli of the 1st Cav, instead of Bremer, we'd be a hell of a lot further along.

And I'm going to say something heretical. The best diplomats I've found are guys wearing bars and stars on their shoulders. Not all of them, but there's some really talented people out there.

I remember Chiarelli saying to me, "Senator, look, give me some PCV pipe to put in the back of these homes to get the sewage," which he showed us pictures of and we went and saw, of three feet of raw sewage in Sadr City up to the hubcaps of our humvees, while the State Department and the administration let a contract for a tertiary sewer treatment plant for a half a billion dollars that's going to take several years to construct. In the meantime, not a damn thing was happening on the ground.

Another example I was given in one of my many trips to Iraq was one of our generals pointed out to me, he said, "Senator, we have the biggest water

fountain -- we produced and built the biggest water fountain in the world." We came in and built this whole new water facility in Baghdad for potable water. Guess what. It's not hooked up to anything. Not a joke. Not hooked up.

So people in Sadr City looking for potable water had to take a bucket. He said: "Just give me, again, some PCV pipe, some authority to go out and contract the locals to dig the ditch. Let me put the pipe in. And guess what. Things will radically change here."

Department of Agriculture -- again, I'm being anecdotal -- in Iraq used to be the breadbasket of the Middle East in the '50s. Commanding general says to me: "Senator, you want me to deal with the militias? Get a functioning Department of Agriculture here," and then gave me an example. There's a fungus that kills the date palm tree. You have to spray for it like the boll weevil in cotton. He goes to the State Department, goes and says, "We got to do something about it." They said, "No, that's up to the locals."

So what happened? He said: "I did what Saddam did. I used my helicopters to spray." (Laughter.) "I went out and that's what I did." Military -- seriously.

So what I want to talk to you about here, as we go to rebuild this civilian capacity, is there a need for a change in the culture at the State Department? And I know it's a pretty in-the-weeds question that the public at large will wonder why I'm asking it. But is there also a need to us to go out and attract something other than -- and we haven't even been attracting them -- the typical Foreign Service officer, in terms of the mentality, the kind of person we want?

They are the brightest people in the government. I mean, I am absolutely -- I don't know my colleague from Wisconsin -- I'm impressed with these State Department personnel -- (inaudible). But guess what. They have -- I used to say facetiously, which gets me in trouble, back in '80s, I'd say, "They like carrying in their briefcase their lunch, instead of plans relating to arms control." I mean, it was like instead of doing something, there's this mind-set, and it's like pushing a rope.

And so I think there's a dichotomy here between those of us who want to build the civilian capacity. Here you have the secretary of Defense making a

speech, pointing out there was a 19 to one discrepancy in dollars spent. It's got to change.

The plea I get in Afghanistan, in Pakistan, in Iraq, wherever I go, is: "Give me more civilians. Get more civilians in here."

So just talk to me a minute about the practicality -- it's a little bit like when we talk about docs being trained, doctors being trained. They aren't trained today to deal with the interaction of various prescriptions and medications. They're not trained today -- see, this whole discussion in the health field about training our educational institutions, medical schools changing their curriculum.

What is the curricula we want for the new foreign policy establishment? What curricula? What background should we be looking for?

You don't have to answer it literally, but talk to me about this whole issue of the culture.

MR. LOCHER: Mr. Chairman, the cultural issue is an important one. And I want to start one level higher than you began in talking about the culture of the State Department.

You know, there is no interagency culture.

SEN. BIDEN: Right.

MR. LOCHER: It does not exist. And if there were an interagency culture like the joint culture we have in the Department of Defense, it could be powerful in helping us integrate all of our capability.

SEN. BIDEN: What do we do to change that?

MR. LOCHER: Well, first of all, in the Goldwater-Nichols legislation, there were joint officer provisions. One of the most important was, it said you could not be promoted to general or flag rank unless you served in a different service or in a joint assignment.

And those same sorts of requirements will be necessary for the interagency -- that in all of the departments that have national security

responsibilities, you will not be able to pass a certain level unless you have worked in an interagency or in some sort of cross-department assignment.

There'll have to be specific education and training requirements. There'll be qualifications for various positions. And we want to nurture that interagency culture because it can be a great tool.

Then, as we come down to the departmental level, there is the issue that in lots of departments like the Department of State, there is not that operational culture. You may know that Ambassador Herbst, in his job as the coordinator for reconstruction and stabilization, is running against the grain in the Department of State. He's very much of an alien organization there.

And so what will be required as part of this new national security act is to identify in all of the departments and agencies what sort of expeditionary capability is required and what sort of cadre will have to be built in the Department of Agriculture and in the Department of Commerce and in the Department of Justice to be able to go overseas and rapidly create the kinds of organizations and capabilities that the United States needs. Now, that can be identified. But this overarching interagency culture will help contribute to these departmental operational cultures.

But there's also another important dimension that came out in your early comments when we were talking about the competitive nature of some of the Cabinet secretaries. You know, we've had -- for 30 or 40 years, we've normally seen the secretary of State and secretary of Defense be at odds. But we know that national security missions today require the integration of lots of government capabilities. That means we have to have incredible collaboration. So --

SEN. BIDEN: That's why I said I think it does go back to the president.

MR. LOCHER: It does.

SEN. BIDEN: The next president, in choosing his or her secretary of State and secretary of Defense -- both of us very briefly, my friend from Wisconsin, had he stayed he might have been the nominee; I stayed longer and I did not become the nominee, but both of us, I think, would agree -- I speak for myself -- the single most important task I thought would be required of me had I become the president of the United States of America,

was to make sure that my secretary of Defense and my secretary of State were on the exact same page, that they understood in order to work for me, as president of the United States, they had to ahead of time -- ahead of time - - make sure that they signed on to the same goals and objectives requiring the elimination of the stovepipes in their mentality.

But so if a president doesn't do that, if a president doesn't start there, I think this notion is doomed from the outset.

MR. ADAMS: Let me just add to what Jim Locher said, Senator, because I think you put your finger on an absolutely critical problem. And remember, I said earlier that I think a lot of this is an HR issue.

SEN. BIDEN: Yeah.

MR. ADAMS: It's a serious HR --

SEN. BIDEN: HR for the -- you mean human resources.

MR. ADAMS: Human resources. It is --

SEN. BIDEN: Not just numbers.

MR. ADAMS: Not just numbers. It is what kinds of people do we recruit? What do we train them to do? How do we incentivize them to move up the career ladder? What do we reward them for being capable of doing? And that is all part of what needs to be changed in the culture.

I mean, when I was responsible for the State Department budgets, among others, in the executive branch, you know, I was one of those people who was always asking hard questions. While I was at OMB, my job was to ask hard questions. But when they came to me with a budget request and said, "We need the following amount of money for this program," and they couldn't answer how, why, when, who was going to do it, what were the deliverables, how do you measure the effectiveness of the program, we weren't going to go fund programs that they couldn't deliver, that they lacked the capacity.

So the problem here is developing that capacity, both near-term and long-term, in the diplomatic institutions. And that means -- going to come to the question of curriculum that you raised -- that means bringing in people

who have a broader range of experience, who accept that the nature of a Foreign Service office career is not just report, negotiate and represent but is also develop program, budget for program, plan program, implement program and evaluate program --

SEN. BIDEN: It seems to me to be a mind-set. I'm going to yield to my colleague --

MR. ADAMS: It is clearly a mind-set, but it's one that is only going to be fixed long-term if we've got the right people in and mid-career bring the right people in and open up the Foreign Service and the diplomatic establishment --

SEN. BIDEN: Let me give you one closing example. And I'll go back -- so it doesn't think I'm picking on this administration. I'll go back to the Clinton administration.

I'll never forget standing in Brcko in Bosnia and walking into a neighborhood that was virtually abandoned and with homes that were about 28,000 to 3,300 square feet, lovely homes, the red tile roofs, in a development. There must have been -- I don't know, I'm guessing -- there must have been 300 homes in this development, laid out -- I mean, obviously built in the previous 10 years or so. And State Department guy's with me, and there is a military guy with me, a Marine. And we walk out in the middle of this neighborhood, and the issue was resettlement. Now, we were standing there; the commanding general allowed this young captain to literally take it looked like a construction van, like a construction trailer, to sit it right in the middle of the neighborhood, in an intersection there.

And while we're talking and I'm getting briefed on what's going on in the neighborhood, look down the road and there's a family, it turned out, of eight to 10 men with pitchforks, sledgehammers, utensils -- no weapons, no guns -- walking down, heading toward us. And the young captain goes: "Oh, excuse me, Senator, excuse me, excuse me, I've got a problem."

Now, State Department guys are standing around. He walks up the street and confronts these guys, not with a weapon. And he talks to them. He happened to speak Serbo-Croatian. And he talks to this group. You know where they're going? Literally in the intersection we're standing, there was a Serb family occupying a home that had been the home of this family, which

was Croat. And they were coming down to physically drag that family out and repossess their home.

Young guy goes up, walks back -- (inaudible) -- said, "What'd you do, Captain?" Kid was -- I don't think he was 31 years old, 32 years old. He said: "Well, Senator, I told them I had already gone and spoke to the Serbs in that household and told them we'll build them a new house or get them a new house. I went to them and said, 'Now look, you want a new house, you want your house back?' They said, 'We want our house back.' I said, 'Well, come back tomorrow at 12:00 and we'll have this worked out.'"

I later went back, called to find out what the kid did. They worked it out. They worked it out.

State Department guy was, like, sticking his thumb in his ears. Kid took action. And I don't mean -- I mean, I am -- I'm among the biggest supporters, over 35 years, of the State Department, their budgets and all. But I just think unless the mind-set changes here about being proactive, actually physically being in the game, I don't now how this changes.

And so I apologize. I see there's a vote. I assume that's where the senator went.

Is he coming back to answer questions?

No. I'm sorry, because he had -- he always has really good questions.

I'd ask unanimous consent, and it's easy to do since I'm the only one here -- (laughter) -- that the questions that senator had may be able to be submitted in writing and if you guys would not mind responding.

While I have you, and ask two more -- one of each of you, if I may.

Dr. Adams, is there a -- does the U.S. need a unified national security budget that's going to help Congress understand the trade-offs? Or will such a unified budget just morph things in a way that it all flows to the most powerful piece of the budget, which would be the State Department?

What, from your budget days, what's your instinct about that notion?

MR. ADAMS: My sense is we, at the very least, need a unified document. When I was at OMB, I tried to write the budget document of the president so that the international affairs section came first and the Defense Department section came second. That was a minor tool, but it was a way of saying our purposes, our intentions, our strategy of what drives the direction and orientation of these tools.

That wasn't enough. And I think through -- in part way through the process, that what Jim Locher is talking about, you need a unified consideration of all of the national security tools in the budget process in the executive branch so that they are confronted with each other against the strategy purposes of the government.

I've suggested in my testimony as well, you need to take some of those key purposes and drive it down interagency as a guidance in the preparation of budgets so the agencies take roles, are assigned responsibilities and come back in their budget submissions to the White House with the right kinds of integrated requests.

Then, a document that needs to come to the Hill needs to be an integrated national security document so that the machinery in the executive branch is forced to say, "Here are the purposes and here are the way all of these tools are oriented to accomplish these purposes." So when it comes to the Budget Committee and to the authorizing committee in the Appropriations Committee, they have a document that says, "This is an integrated document that tells you how we intend to relate these tools to each other."

To literally encompass all of them in one planning mechanism, I think right now is probably a bridge too far. There may be enough cacophony in that to sink the Queen Mary. The major problem with that, though, is that none of the other organizations in the executive branch have the program planning, budgetary planning, analytical capability and long-term thinking that the Defense Department has. They're the only agency that does it.

SEN. BIDEN: I -- you know, I thought -- I mean, I don't know how, quite frankly, no matter how informed and bright and visionary the president is, there's no one place he can go and get that.

MR. ADAMS: That's the only agency that will deliver it to you.

SEN. BIDEN: Yeah. There's no one place that --

MR. ADAMS: No. And this is why I think the F reform at State is so important. It's only a start. It's very flawed. But institutionalizing that capacity, pushing it to think about the long term for the civilian tool kit, long-term planning for the civilian tool kit, and giving it the resources and the informed and educated staff it needs is a very important first step to pulling together the civilian capacity to budget with the same sophistication -

SEN. BIDEN: A very bad part of having a good idea is you're going to get asked, like I'm going to ask you, will you help this committee figure out what that document should look like? We'll figure out who draws it up, but just to conceptualize --

MR. ADAMS: Right.

SEN. BIDEN: -- for us on a piece of paper what are the elements of that document? I mean, how does it get written? That doesn't even answer who writes it, but how does it get written? Because one of the things I think each of the new -- the next president's going to need -- because I know them all personally; they all think about this. They all think about this in varying degrees. They all get a sense of the dysfunctional nature of the planning process in terms of national security.

And so it'd be a useful thing to literally have a document -- what you're doing, Jim. Well, I mean, you guys are being very explicit about how to do these things because you've been through this exercise.

Again, I want to compliment you on Goldwater-Nichols. I was here. I was here during that whole process. I was a big player engaged in that up here, which leads me to my last question for you. And I know you could comment on the question I just asked extensively. But I want to ask a question that takes it below the -- what you and I, at least, are talking about, a hope that the possibility of generating -- which is a big order -- a national security act of 2009 -- I mean, to think that big. And we need to, in my view.

But within that, there are the immediate and crying emergency requirements that we have to respond to, and one of which is, that I'm seized with, is Goldwater-Nichols made a great deal of sense in a -- in the era in which it was written. We did not contemplate then, looking at that

document, we did not contemplate the fact that we may be deploying for somewhere between six and up to 24 months total our Reserves and our National Guard. They're breaking.

The idea that we can with the manpower we have now continue to task as such an integral part of the ability to project force the National Guard and Reserves I think is not possible, notwithstanding the fact we shouldn't look at the last experience as what the next experience will be, necessarily.

But, I mean, we're -- I know you know this, Jim -- we're \$100 billion short now in equipment for the states in terms of them responding to national emergencies. You saw what happened in that town in Nebraska -- I mean in Kansas -- that had the tornado that just devastated a city, a town. They didn't have the trucks. They're in Iraq. They're left there.

So if you just -- if we were just to reinstate or replenish the equipment through attrition and/or being left overseas, which makes sense for the next group coming in, you're talking about these governors being over \$100 billion short in equipment to handle just internal national disasters or, God forbid, another terrorist attack.

So talk to me about, just for a minute, about Goldwater-Nichols and what kind of changes are needed, unrelated to the interagency, if it's unrelated. Maybe it's not. What do we do about what I promise you is becoming a gigantic, gigantic political dilemma in terms of the electorate -- the deployment of National Guard and reservists to the degree they're being deployed now?

MR. LOCHER: Well, Mr. Chairman, in that regard, in all of the departments and agencies, there are many internal problems that need to be addressed. And there are lots of great initiatives; the transformational diplomacy initiative by Secretary Rice needs to be lauded, as she's beginning to try to address some of the challenges that you raised.

In our project, we are thinking that the first step that needs to be taken is to think about how we're going to operate whole of government. For the 21st century, how do we need to put together the national security interagency system? And once that is understood and a new national security act is passed to mandate that kind of approach, that then there will have to be detailed attention to aligning reforms in the individual departments and agencies.

SEN. BIDEN: Well, that sequentially, for me, you now, answers the question.

MR. LOCHER: Right.

SEN. BIDEN: My concern is -- and there's only a minute or two left in the vote; I'm going to have to leave -- my immediate concern, and this is just the practical politician in me, responding to what is happening out there with the American people is that we are -- I want us thinking big. I do think we have to look along the lines that you guys are talking about. But even in the most optimistic scenario, it's going to take some time to get there.

I think, Jim, you're going to see such an urgent, urgent crisis over the next 18 months, relative to the way we think about -- and it can't be solved in 18 months, either. I don't mean to imply that. But you got to give some reason for some hope out there that we recognize this dilemma and we have -- there's a process in train in a more narrow sense, to deal with it.

But here's my question: I really am impressed with -- presumptuous of me to say this -- with both of you. And I'm wondering whether you'd be willing, over the next month or so, to, not in this formal setting, but for -- to come sit in my office with me and other senators who might want to get much deeper into the weeds about some of the things you're doing, Jim, and some of the things you're suggesting, Doc, about how we proceed. Would you be willing to do that?

MR. LOCHER: Absolutely.

MR. ADAMS: Absolutely.

SEN. BIDEN: I -- unfortunately for you, we're like poor relatives. We show up where we're invited -- (laughter) -- so I promise you we're going to be asking you, and because we need your help.

I think this has been very, very helpful, at least for me it has been. And I thank you and apologize for having to run out now and make this vote.

But I thank you for being here. And I look forward to continuing to work with you.

We stand adjourned. (Sounds gavel.) Thank you, gentlemen.

END.